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PAPER LAUDS MORE ACTIVE KOIVISTO ROLE IN DISARMAMENT MOVES

Helsinki HELSINGIN SANOMAT in Finnish 21 Oct 83 p 2

[Editorial: "The Opposition to Nuclear Weapons is Strengthening"]

[Text] As for nuclear weapons, the leaders of Finland's foreign relations have kept up an active policy this year. As some kind of watershed, president Mauno Koivisto said in his closing speech of the parliament last March that Finland will not allow nuclear weapons within its territory. At the end of September the president continued to develop the theme when speaking in the United Nations' General Assembly.

According to the President's speech in the United Nations, Finland would not allow nuclear weapons to be placed within its territory. According to the speech, as a result of this, Finland has the right to require that nuclear weapons will never be used against Finland and that it will not be threatened by them.

As far as the general opinion is concerned, this state of matters has been obvious also before. However, in international relations self-evident matters have to be brought up and documented, so that they would not become targets for speculations.

To say self-evident matters aloud will also help one to make new logical conclusions. That is the case with the fresh-looking attitude towards the prohibition of the first use of nuclear weapons. Finland is revising its policy in this respect.

A year ago, in the first committee of the United Nations, Finland supported two closing statements with regard to nuclear freeze, but withheld from voting when the agreement prohibiting the use of nuclear weapons was discussed. Sweden supported all three.

The proposal prohibiting the use of nuclear weapons was brought up by India, and it originated from the United Nations' special disarmament conference held last summer with very fair results.

At the same time, under discussion was Rumania's proposal to prohibit the first use of nuclear weapons, which had been initiated by the Soviet Union and China with their own unilateral declarations. Originally in the fall of 1981, the Soviet Union had introduced a proposal to the United Nations to prevent a nuclear catastrophe. Its first item was to prohibit the first use.

In its voting explanations Finland has tried to follow a line, according to which, when voting about matters, which are targets for super-power conflicts, withholding from voting is its general guideline. But as the opposition to nuclear weapons is clearly getting stronger, the logic of the former guideline is becoming less maintainable. Since Finland in general is against nuclear weapons, it is logical to start prohibiting their first use, too.

The occasional instability in our voting behavior will probably not end with this revision of our policy. In the United Nations alone, more than 50 closing statements have been approved, and new ones are being drawn up there and elsewhere. However, a tighter line is more and more important because of the fact that the countries with nuclear weapons are still increasing the number of their nuclear weapons despite the opposite assurances.

12190

CSO: 3617/22

LABOR PARTY STAND ON EUROMISSILES REVIEWED

Oslo AFTENPOSTEN in Norwegian 22 Oct 83 p 3

[Article by Terje Svabo]

[Excerpts] The Social Democratic Parties of the small NATO countries are in Brussels, carefully examining a missile document written by the Labor Party of Norway. The goal is to develop a joint strategy to help prevent the deployment of Western missiles. For the first time, the so-called Scandilux meeting hopes to result in a concrete plan of action. The main points are to prevent the deployment of Western weapons as long as negotiations are underway in Geneva, to include British and French nuclear weapons in the negotiations, and to combine the negotiations on intermediate-range missiles (INF) and strategic weapons (START). Here in Brussels it is believed that there is a good chance agreement will be reached.

The Labor Party is represented at the meeting in Brussels by party leader Gro Harlem Brundtland, vice-chairman Einar Forde, and the secretary at party headquarters Thorbjorn Jagland. These three were primarily responsible for writing the document now being discussed by the participants at the meeting. As usual, West German Social Democrats are participating as observers at the Scandilux meeting. One important figure in this group is security policy expert Egon Bahr, who opened the meeting with a report from his recent visit to Moscow.

AFTENPOSTEN spoke with Gro Harlem Brundtland before the meeting began. She said the main goal of the meeting was to undertake the broadest possible evaluation of the negotiations. The group also wanted to express joint Social Democratic views and possible recommendations. She stressed that the Social Democrats would strive for a solution that would result in significant missile reductions in the East and no deployment in the West.

"In a speech at the Oslo Military Society last Monday you mentioned the basic elements in your strategy to reach a solution. Will you bring these up here in Brussels, as well?"

"I will repeat that we believe NATO should postpone the announced deployment to provide a reasonable period of time to conclude the negotiations. The Soviet Union should not only stop all deployment of SS-20 missiles, but

immediately begin to reduce the number of these missiles, thereby demonstrating a desire to reach an agreement. The accelerated deployment of SS-20 missiles that has occurred during the negotiations has heightened the conflict and reduced confidence," Gro Harlem Brundtland told AFTENPOSTEN.

The Labor Party has experienced a dramatic change in its approach to NATO's dual decision after that party's own government helped make the decision in December 1979. The change began during a vote in parliament in June of last year. At that time, one third of the Labor Party group in parliament broke away and voted against appropriations for NATO's infrastructure program (missile appropriations). Among those who voted in favor of these appropriations were Gro Harlem Brundtland, Guttorm Hansen, and Knut Frydenlund.

Something had to happen in the Labor Party after this vote. The solution was the so-called missile commission, which included both supporters and opponents of the dual decision. The missile committee's report formed the basis for the resolution that was unanimously approved at the Labor Party Congress last spring. As a result, the entire parliamentary group of the Labor Party now opposes the obligations set forth in NATO's dual decision.

From June of last year until several weeks ago the Labor Party was the object of ridicule by the other Social Democratic Parties in connection with the missile debate. Many people claim that this development resulted from the aggressive tactics of the Socialist Left Party, led by Stein Ornhol, which constantly brought new information into the debate. Ornhol's contacts with his Danish colleagues resulted in similar developments in Denmark.

It was noted in Norway that the Labor Party chose a low profile in the missile discussions in the Debate on the Royal Address on Tuesday and Wednesday of this week. There is reason to believe that this restraint was due to demands at the latest party congress that the party concentrate on employment issues and not stir up a new security policy debate. The Labor Party knows it has much to lose among Norwegian public opinion by battling over our defense and foreign policy.

What does the Labor Party think about the current negotiations in Geneva? AFTENPOSTEN learned that the Labor Party leaders realize there is little chance of a negotiated settlement in Geneva. For this reason, the party believes that negotiations in Geneva will drag on and that deployment will begin.

To put it mildly, this is an undesirable situation for the Labor Party which would like to avoid security policy issues and concentrate on entirely different questions in the Norwegian debate leading up to the 1985 parliamentary elections.

POLL FINDS ONLY 40 PERCENT UNDERSTAND 'DUAL DECISION'

Oslo AFTENPOSTEN in Norwegian 29 Oct 83 p 3

[Text] Even today four out of ten Norwegians do not know about NATO's dual decision and what it means, according to this week's Gallup Poll taken by Norges Markedsdata. Among those who know about this decision, about 41 percent believe Norway should support it and 22 percent believe Norway should oppose it.

The survey was taken by Norges Markedsdata in late September and early October. The first question was: "Here are some questions about NATO's so-called dual decision on the balance of nuclear missiles in Eastern and Western Europe. Do you know the background to this dual decision and what it means?"

If "yes": "Have you decided whether Norway should support or oppose NATO's dual decision?"

All the respondents, regardless of whether they knew about the dual decision, were asked the following question: "NATO's so-called dual decision involves the deployment of new nuclear missiles in Western Europe if the Soviet Union refuses to remove its new missiles in Eastern Europe, which are aimed at Western countries. Do you believe that the NATO countries should stand firm with this all-or-nothing solution, should a compromise be accepted with a reduction in the East and limited deployment in the West, do you believe that no new NATO missiles should be deployed regardless of what the Soviet Union does, or are you undecided?"

About one fifth (18 percent) stated that NATO should stand firm for a complete reduction in Eastern Europe or complete its planned deployment in the West (the so-called zero solution). About one fourth said a compromise could be accepted and another one fourth believed that NATO missiles should not be deployed in any event. The latter alternative is supported by more women than men, even though more women are undecided.

The answers to the second question also were classified according to how the first question was answered. Among those who know about NATO's dual decision and believed that Norway should support it, 45 percent said that a compromise solution should be reached. Among those who knew about the decision and

believed Norway should oppose it, considerably fewer (only 17 percent) believed in a compromise with reductions in the East and limited deployment in the West.

	All respondents %	Men %	Women %
No, I do not know the background or what the decision means	41	31	51
Yes, I do know and believe Norway should support the decision	24	35	14
Yes, I do know and believe Norway should oppose the decision	13	15	11
I know about the decision, but am undecided about it	22	19	24
Total percentage	100	100	100

9336

CSO: 3639/18

BRIEFS

FP-25 LISBON, ESTORIL BOMBINGS--Two bombs of average force exploded yesterday afternoon in Lisbon and Estoril, 25 km from the capital, resulting in two injuries--one of which was serious. Credit for the attacks has been claimed by the 25 April Popular Forces (FP-25) in a telephone call to the ANOP news agency. The first bomb exploded when 46-year-old Pedro de Braganda, the owner of a residence in downtown Lisbon, put his key in the door. He was seriously injured as a result. A 26-year-old neighbor suffered minor injuries when he came out to help the victim. The second bomb was placed in the doorway of a Sao Joao de Estoril industrialist but caused only structural damage and damaged a parked car. The attack has been claimed as one of reprisal against the owners of the Francisco Jose Somoos Company. A demand was made that dismissal actions against certain company employees be annuled. The last action claimed by FP-25 took place on 6 December 1982, during which the door to the residence of a pottery shop manager was raked by gunfire. [Text] [Madrid ABC in Spanish 8 Nov 83 p 29]

CSO: 3548/104

GOVERNMENT IMPOLORED TO DECLARE HERRI BATASUNA ILLEGAL

Madrid ABC in Spanish 20 Oct 83 p 15

[Editorial]

[Text] The consecutive killings of Captain Martin and of Dr Suar Muro, as well as the placing of a bomb next to the Civil Guard Headquarters in Burgos, are more than eloquent proof of the dimensions of the ETA [Basque Fatherland and Liberty Group] terrorist offensive. If to that we add the threat against the armed forces installations throughout the nation, we will realize the seriousness of this criminal show of strength against the democratic institutions. Total challenge--which demands a total response on the part of the government.

Everyone is aware--you only have to read their own communiques and programs--that the ETA terrorist gang has a political cover which is represented in Parliament: a cover which has at present adjourned and is cynically appealing to the Constitutional Court. Herri Batasuna [Popular Unity] is also represented in the Basque Parliament and in the Town Councils of the three provinces of Navarra. It is not necessary to list the names, which are all too well known, of the leaders of this "political arm" of the terrorist group.

They have two tactics which serve the same strategy, which is the creation of the objective conditions for destroying the democratic system. The two hands, the political and the terrorist, are controlled by the same destabilizing brain and combine their inflammatory efforts with logistical support which obviously comes from outside. Step by step the ETA and Herri Batasuna relieve each other in the procedure of touching the most sensitive nerves of the constitutional structure. Their objectives are well known: the execution of a political maneuver, outside or counter to the constitution, which would lay the groundwork for a spiral of violent acts which would let them grow, as they recovered the social forces and bases which the democratic system was progressively taking away from them.

In spite of this, the government decided this summer to postpone until the beginning of December the decision on making Herri Batasuna illegal. Last 30 August the Ministry of the Interior sent back the documentation of Herri Batasuna's request for legalization, asking them to specify that respect for "the 1978 Spanish Constitution" be included in it. Two months have passed, and no such specific statement has been filed. Theoretical silence, accompanied

by the practice of murder, blackmail and extortion. Therefore, we do not need to wait another 50 days: we must declare Herri Batasuna illegal from this moment on. It would really be suicidal to protect those who make use of the Constitution to liquidate the constitutional system. There can be no exception to the rule of respect for the constitution, which is obligatory for all parties--especially for those who act as cover for a criminal mafia.

8131

CSO: 3548/63

CALL FOR CALM, MODERATION IN FACE OF ETA TERROR

Madrid ABC in Spanish 20 Oct 83 p 3

[Article by Luis Maria Andon: "Preserve Moderation"]

[Text] In the last years of the previous regime it was obvious that the most appropriate policy lay in organizing moderation. It was a matter of placing the tiny extremist minorities of the Left and Right in perspective so as to build up the monarchy--which belongs to all the people--on the broad constitutional foundations of the nation. Now, after the latest savage blow from the ETA [Basque Fatherland and Liberty Group] strategy, which yesterday left a Spanish army captain with his body on the ground and bloody wounds in his temples, we need to keep our nerves cool and to be calmly alert. Because there is no other reasonable formula for the future in Spain than to preserve the moderation which was so laboriously won during the uncertain years of the transition.

The simplest reaction toward the murder of the captain would be to again put the arrows of anger into the quiver of history, to stir up agitation, and cause a special situation. The way I see it, we should do exactly the opposite. Democracy is not a weak and fitful form of government. It is strong and robust, because it is nourished by the sap of the people's will. In times like these it should demonstrate that strength with a calm and vigorous response and not with hysteria and overexcitement.

If we want the wolves of international terrorism to stop snapping at the ankles of Spain, if we really want the Basque provinces to free themselves from the harsh rule of fear and for that rich region to recover its peace and happiness, we will have to outline a meticulous plan, without any economic stinginess or political concessions. A plan which is able to let the power of the law strike against the terrorist gangs. Neither improvisations nor weakness of shivering are effective. This is not the time for cowards, or for the fainthearted or for the frightened. The Spanish people are tired of bleating sheep and condemnatory statements of official rhetoric; they detest that kind of tame sheep-like policy, and so much crowing which is more appropriate to the chicken yard.

What Spain needs is the authority and energy of a democratic government which would set in motion a nationwide plan to counter terrorism, drawn up and carried out by experts. In Germany, in Israel, in the France of DeGaulle, in that of

Poniatowski, they achieved success. We can have it here too if all the forces of the nation, all the democratic parties--and among them particularly the PNV [Basque Nationalist Party]--close ranks to defeat terrorism and preserve moderation. The whole structure of democracy, the liberty which was won with such difficulty, depends on the mobilization of the Spanish people against the real subversive war we are waging and which we must now discuss openly without euphemisms or beating around the bush.

The operation we must carry out is not a matter for parties, but for the whole nation. Any doubts on this subject must be cleared up. If the socialists want to act like a padlocked party, they will lose the war against the terrorists, and they will make us all lose it. What they should do is raise up the shutters of power, forget the pride of their 10 million votes, put away their scornful arrogance, ask for cooperation from everyone, and lead a common effort. That will involve shelving the lethargic policies which we are suffering from, wiping out the sadness of the mournful orange tree of some outstanding politician, and setting their feet in reality. It is not an easy decision for the president of the government. Some of his colleagues, who when they were in the opposition were pieces of white bread, now that they are ministers have turned into hard crusts. But Felipe Gonzalez can count on the social musculature of moderation, which is not as flabby as the political ones, but is still strong. Over the course of some months in the government the president has begun to learn that the people's cultivation of liberty requires exhausting days of patience and a steady hand. Minister Barrionuevo, after profiting from previous experiences, is making an effort to sweep away the debris of a sterile antiterrorist policy. He has not had enough help. But he is right. The vile murder of Captain Martin Barrios could be the turning point for the renewed effort, intelligent endeavor, relentless action which the situation demands.

The socialist government, which has had successes and failures, did absolutely right last summer when it energetically and with some risk came to the defense of the Spanish flag, which had been desecrated by tiny sectors of the Basque ultra-Left. The situation became critical at times, but the calm and forceful response resolved the terrorist challenge in favor of the rule of liberty. That is the road which should be followed. There is no other. Subversive war, like conventional war, has its rules. Either one takes action in accordance with them, or one loses. It is a pity that the energy of the past summer has not continued. Before and after it excessive caution or gloomy weakness were the rule.

If we continue on with indecision, half-measures, unconfessed fears, tolerance of fifth columns, the usual ambiguities and glittering mediocrity, we will soon find that we have a revolutionary process whose flames are fanned from outside; or reaction within the country from certain sectors of an opposite tendency. In both cases, moderation would be swept away, and we would again see the leaves of the history of Spain falling covered with blood.

8131

CSO: 3548/63

NATIONAL OVERVIEW OF TERRORISM, SUBVERSION TRIALS

Istanbul CUMHURİYET in Turkish 27 Oct 83 p 12

[Text] Some of the cases before the Martial Law Command Military Courts are coming to a close. In the Dev-Yol [Revolutionary Path] and the People's Liberation trials in Izmir, 9 of the 15 defendants were convicted.

Yesterday's developments in military courts were as follows:

In the trial of Dev-Yol and People's Liberation groups of the Aydin region at the 2d Military Court of the Aegean Army and Martial Law Command, defendants Nihat Ozturk, Fikret Saraydin, Mehmet Arabaci, Mehmet Cevdet Ulusoy, Aykut Ertu and Mustafa Akbay--who were being tried on charges of participating in "efforts to change the constitution by force of arms"--were sentenced to prison terms of 5 years 6 months and 20 days each in accordance with Article 146/3 of the Turkish Penal Code. Defendants Gurses Colakoglu, Orhan Ozdamar and Guney Atabay were similarly sentenced to prison terms of 5 years 6 months and 20 days in accordance with the same article of the Penal Code. Defendants Mutallip Karagunduz, Nail Dinc, Mehmet Koner, Abbas Dalgic, Birol Kartal and Omer Uluer were acquitted.

Ankara

The 3d Military Court of the Ankara Martial Law Command demanded in an interim ruling in connection with the 78-defendant TKP-ML [Turkish Communist Party-Marxist Leninist] and TIKKO-Partisan [Turkish Worker Peasant Liberation Army] trial that prison authorities not prevent the defendants from bringing their written defense petitions with them to the court.

In the same trial, the military prosecutor demanded the death penalty for 10 of the defendants.

After the prosecutor read his views on principles the court set a deadline for the defendants to prepare their defense and, in an interim ruling, decided to write to the Mamak Military Prison to allow the defendants to prepare and read their written defense petitions.

Eight rightist defendants charged with killing Mustafa Ozturk for his opposing political views were convicted at the 2d Military Court in Ankara. The said defendants were sentenced to the following prison terms: Abdullah Icdizer, 11

years; Haci Veli Altay, 6 years; Bahir Karabiyik, Mursel Karabiyik and Husamettin Sonmez, 6 years and 3 months each; Nusret Koselioglu, Kaya Okatan and Cevdet Karabiyik, 5 years and 4 months each.

The trial of Hicabi Kocyigit, who is charged with attempting to change the course of the trial on the Nationalist Action Party and its affiliated organizations, continued at the 1st Military Court in Ankara. The military prosecutor stated that no need is seen for an investigation of security officials Kemal Yazicioglu, Bekir Pullu, Hasan Caglayan, Mustafa Mit, Mahir Damatlar, Muhsin Yazicioglu and Turkmen Onur who were accused of provoking the defendant to commit a crime.

Defendants Tamer Kilicktekan, Zihni Yesilyurt, Bunyamin Temel, Atilla Sirma, Galip Zor and Oral Altintas, who were being tried on charges smuggling at the 4th Military Court in Ankara, were acquitted.

Erzurum

Rightist defendant Hikmet Uzen was sentenced to 17 years in prison by the 1st Military Court of the Martial Law Command for killing Bayram Kosebag in Sivas. Leftist defendant Ismet Yegen was sentenced to 8 years 10 months and 20 days in prison by the 2d Military Court of the Martial Law Command for attempting to suppress and weaken national feelings using racial arguments.

Erzincan

At the 1st Military Court of the 3d Army and Martial Law Command, 11 defendants, charged with entering an association which promoted the domination of one social class over another, were sentenced to prison terms of 8 months to 5 years; 5 defendants were acquitted.

In raids in Corum and Sorgun, 46 people sought for various crimes were captured.

Izmir

The trial on the illegal Idealist Youth Association came to a close. Twenty of the defendants were sentenced to prison terms ranging from 1 to 15 years and 3 were acquitted.

Diyarbakir

The trial began of 88 defendants who are charged with operating in the area of jurisdiction of the Martial Law Command as Turkish Communist Party members. The military prosecutor demanded prison terms ranging between 8 and 20 years for 66 defendants and between 5 and 12 years for the remaining 22 defendants.

9588

CSO: 3554/51

EXTREME RIGHTISTS TIED TO THEFT OF NATO SECRETS

Brussels LE VIF in French 20 Oct 83 pp 42-43

[Article by Serge Dumont: "The State Security Mysteries"]

[Text] Decidedly strange, this affair of the theft of documents at NATO, which is causing the re-emergence of familiar faces. At the center of the polemics are the Security and those who are blaming it.

Since the proceedings involving the Youth Front and the VMO [Flemish Militant Order], the extreme right has been believed to be finished in Belgium. That was an error. The recent revelations according to which confidential NATO documents were stolen by two former members of the FJ [Youth Front] lead us, in fact, to the heart of a black web of espionage, murder and neo-Nazism.

Michel Libert and Marcel Barbier, the two extreme rightist militants in question, have in fact been imprisoned and charged with spiriting away telexes from the NATO transmitting center at Evere. Up to that point, it is almost banal. After that, on the other hand, it is much less so.

Libert, 24, is a former member of the Youth Front (from which he separated in 1981) and a former career non-commissioned officer in the Navy. Marbel Barbier is also a former career soldier (para-commando). Born in Charleroi on 4 August 1959, he joined the Youth Front in 1978 and separated from it a few years later. Unlike Libert, Barbier is well known to the police for several different affairs. He was heard of particularly in the matter of Hermant, the communist sympathizer who accused the FJ members of having sequestered and tortured him after the "Red Flag" festival. As a result of that complaint, a search took place at the Youth Front local on 25 September 1979 and eight persons were taken for interrogation. All were released except one: Marcel Barbier, deprived of his identify papers (he spent the night at the station). He was then confronted with Hermant, who did not recognize him as one of his attackers. At the time, moreover, Barbier had just had an operation on his meniscus and was on crutches. But this does not mean he was not a part of the hard core of the FJ.

He is found among the members of the "Sun Spectrum Sports Association," a non-profit club that organized paramilitary activities with sports as a cover. In 1979, Barbier and several others were surprised when they were practising shooting exercises in the Ardennes. In the Youth Front itself, Barbier was part of a small team responsible for watching over the security of the members of the

"National Directorate" of the organization. He had been trained by Tony Dossogne, the half brother of Francis Dossogne, the Youth Front leader. Among the different professions he practised, Barbier notably worked as a security agent for the Wackenhut Belgium Company, a security firm. He was stationed in City 2 at the time several incidents broke out in the commercial complex.

On 16 August 1983, Barbier again got himself talked about in the "Diverse Facts" columns in the newspapers: in the course of a brawl in a Forest cafe, in fact, he opened fire on innocent passersby who were trying to temper his passion, and tried to force a driver to drive him somewhere else, threatening him with his 7.65.

And now suddenly, while being interrogated about these various affairs, Barbier "sits down at the table" and starts telling of things the investigators were not even expecting. In particular, he confesses to having committed a double murder in Anderlecht in February 1982: the murder of Francesca Arcoulin and Albert Vandermeulen. The latter was the boyfriend of Barbier's ex-wife. A double murder is already something unusual in Belgian judicial annals, but what strikes the investigators is the manner in which it was committed: several bullets in the head first, and then the throat cut.

Hence, the Latinus Affair is Being Talked About Again

Barbier confesses to having committed this double murder with the help of a 22-year-old student, Eric Lammers, who was arrested several days ago in the lowest depths of the converted fortress at Dave.

Is this a foul deed, like so many others? No, because, asserts Barbier, this double assassination was financed by a scouting organization inspired by neo-Nazism, the "Westland New Post" (WNP). This movement, which groups together about 100 persons, is connected with another organization, of mystic-ecologist-Celtic persuasion: the ASBL, Irminsul, "Tree of Life" in Celtic. Militarily structured, the WNP is directed by an old Eastern Front man who was sentenced in 1947 and set free in 1951, Karl Delombaerde, a complete unknown. On the other hand, one of Irminsul's founders, Paul Latinus, has already made headlines in the press. That name doesn't mean anything to you? Think back, on 15 January 1981 the weekly POUR issued a bit of news that was to become a scandal: the Latinus affair.

A reserve officer, a computer scientist, a former employee of the Mol Nuclear Center, Latinus was a member of the Molenbeek section of the PSC [Christian Social Party]. In 1978 he began assiduously to frequent the Youth Front. According to Latinus himself, he had made contact with the organization in 1977 to have its members sell a collection of stuffed baby seals on behalf of the ASBL "Association of the Friends of Franz Weber," of which he was one of the founders. Following that first contact, Latinus asserts, Francis Dossogne (the Front leader) asked him to restructure his movement to make it "more functional." No sooner said than done, and thus Latinus had access to the organization's most secret documents. In particular, he organized an information cell, the Codo, which was responsible for collecting information on the FJ's political opponents, and practical courses were also given to Codo members by an EEC security agent. At the same time that these dubious political activities were going on, Latinus was

pursuing a fine career: in October 1978 he became a CST [Temporary Special Officers]-occupational counselor at the ONEM [expansion unknown], then went to the Ministry of Employment and Labor, thanks to written intervention by Paul Vanden Boeynants and then Vice Prime Minister Jose Desmaret. Next, again with the support of VDB [Vanden Boeynants], he went to the office of the secretary of state in the Brussels region, Cecile Goor in December 1980. A position from which he had to resign after the POUR revelations.

For, hiding behind his air of being a young executive on the way up, Latinus was continuing his infiltration work on behalf of the Codo. In 1979, several months after he went to the ONEM, he contacted the Friends of the Earth anti-nuclear protesters, proposing that he find them some CSTs. Thanks to that intervention and that "awfully handsome, awfully nice" image, he was able to get himself elected president of Woluwe Infor-Youths (February 1980). In June 1980 he again proposed to several progressive ASBLs that he combine their respective files in a single computerized list. A project which, if it had succeeded, would have supplied the Youth Front with all the necessary information on its opponents. Then in January 1981, the district attorney's office searched his house as part of an investigation of the Moroccan laborer Baroudi El Namou, which was committed on 5 December 1980 in Laeken by another Youth Front member, Jean-Marie Paul. They did not find the murderer in the house, but the district attorney's men nevertheless seized a "riot gun" and a "22 long" with silencers, for possession without a license.

And now we are learning that Latinus was behind the founding of Irminsul, where Barbier and Libert are also to be found. Is this an unknown organization? Not to everyone, anyhow, because agents from State Security had infiltrated it. For what purpose? "To control what goes on there," explained a senior official of the Ministry of Justice, Jean Gol, who is in charge of the State Security Services. The justice minister's intervention in that affair was more than just a simple good conduct report sent to the Belgian espionage service. For a long time, in fact, there has been a hidden struggle between State Security and other Belgian services of the same type, which accuse State Security quite simply--of being infiltrated by the KGB. One of its principal detractors is none other than Military Information (SDRA) [Documentation, Intelligence and Action Service (Security and Counterintelligence Branch)], which accuses it of paying too much attention to the extreme right and not enough to spies from the East. It is only one step from there to saying that this affair of the theft of documents from NATO was blown up out of all proportion to discredit the State Security.

New Leads

One wonders, too, what part is being played in this story by the Saudi journalist Faez el Ajjaz, who is very closely linked with Paul Latinus. Born in Syria, today about 60 years old, this former attorney has been installed in Belgium for 10 years. Certain information indicates that this correspondent for Jedda's newspaper AL NADWA also has ties to several information services. One strange fact is that in October 1980 his official car was stolen and used by the perpetrators of the assassination attempt against Maj Vernailen, the "bigwig" of the antidrug fight. Faez el Ajjaz was also one of the first to be sent the WWP limited-circulation journal ALTHING, the first issue of which was entirely comprised of part of the secret documents stolen from NATO.

Another lead: an informant asserts that he recognized Marcel Barbier on several occasions at banquets organized by the military in a dining room in Walloon Brabant, which the proprietor of the room officially denies. However, our informant's statement is categorical.

Finally, the last lead: three recent arrests of the military, including the former Navy quartermaster Frederic Saussez, who had just been working at the Staff Headquarters broadcasting center at Evere, and in whose house information had been discovered the week before.

And to conclude (temporarily), what were WNP members doing in Chooz, at the ecologist demonstrations against the nuclear power plant that the French want to build in the Givet boot? They were seen there in the company of a State Security agent and they were all wearing laminated badges with the acronym SIPO [expansion unknown], which is a Nazi police organization. Not all of these networks and these questions have been made clear yet, but follow this affair carefully, because the scandal is just beginning.

8946

CSO: 3619/10

DISCUSSION ON FUTURE CONSTITUTIONAL TIES DEBATED IN DENMARK

Professor: Sever Legal Relationship

Copenhagen BERLINGSKE TIDENDE in Danish 30 Oct 83 p 1

[Article by Michael Rastrup Smith: "Professor Causes Commotion Saying Disassociate From Greenland"]

[Text] "Relations with Greenland are today of purely sentimental character. We should therefore react to growing Greenland animosity by giving the country its full independence." With these remarks a Danish professor has caused a commotion on Greenland.

Greenland must leave the union with Denmark. The growing animosity in Greenland against Denmark is intolerable and untenable for much longer. This is the opinion of Professor Poul Meyer, LLD, who is an expert in political science.

By his statement the professor has caused a great commotion on Greenland.

"It was because of a very great misunderstanding that Greenland became an integral part of Denmark under the change in the Greenland Law in 1953. That should never have happened, because it will complicate the termination of the union. But I think there is no alternative," said Poul Meyer.

"The Danish relationship with Greenland is an entirely traditional one, between an imperial power and its colony, even though Greenland because of the change in the Greenland Law is not formally a colony. There is constantly growing criticism against Denmark from Greenland because, as was the case between the empires and the colonies in Africa, there is a collision between the two cultures."

"Neither Denmark nor Greenland today is interested in a union other than for purely sentimental reasons. Danes sent to Greenland are treated with constantly growing meanness by the Greenland Home Government. Therefore I

believe that the time has come for Greenland to get its full independence. God knows that we have treated the Faeroes, Iceland and Greenland poorly over the centuries. But the blame must now be paid back."

He said that it is a complicated affair to give Greenland its independence. First there must be a referendum in both Greenland and Denmark on a change in the constitution. Despite the demand for a referendum in both Greenland and Denmark, the change in the union will be a sovereign Danish decision, because there will be many more Danes voting than Greenlanders.

Minister Wants Wide-Ranging Debate

Copenhagen BERLINGSKE TIDENDE in Danish 31 Oct 83 p 3

[Article by Michael Rastrup Smith: "Hoyem Says We Will Now Discuss Greenland"]

[Text] Minister of Greenland Affairs Tom Hoyem wants a debate about Greenland. There is a great need for it, because Greenland is more and more being seen as a thundering triviality. Even among politicians at Christiansborg there is only a small study group which is interested in the northern part of the union.

Minister of Greenland Affairs Tom Hoyem is calling for a new Greenland debate. There is a need for it, because there are misunderstandings in the union. The minister is supported by the member of the Folketing from Greenland, Otto Steenholdt.

The call for a broad Greenland debate comes after the urging by Professor Poul Meyer yesterday in BERLINGSKE TIDENDE for the government to terminate the Denmark-Greenland union. The Greenland Home Government treats the Danes who are sent out there badly, he said.

"I do not agree with Professor Meyer that we should disassociate from Greenland. On the contrary, I believe that it would be healthy for the union to have a debate about relations between Denmark and Greenland. Greenland is naturally being seen as a triviality by Danish society, but it is important to discuss the relationships between our two parts of the country."

"I can well understand that some Danes feel that they are being poorly treated by Greenland," said the member of the Folketing from Greenland, Otto Steenholdt, who is a Social Democrat. "The governing Siumut Party [moderate leftist party favoring greater local autonomy] must learn to stop blaming its own failures on the Danes. There must be an end to these recriminations."

"It is also understandable that some of the Danes sent to Greenland feel that they are treated badly by the Home Government. Here I am speaking about the Danes who are working on the American bases, among others. The Home Government demands that they must pay taxes, but does not favor giving them voting rights. Such irritations should be avoided."

Otto Steenholdt said further that the Marxist-inspired Inuit Ataqatigit Party [Marxist-Leninist party favoring total independence from Denmark] should stop its talk about Greenland independence. It is laughable and unrealistic as long as the country is without resources and economically dependent on Denmark.

He also pointed out, however, that the Danes can cause irritation on Greenland. Many Greenlanders are unemployed and can not understand why Danes sent out can move right into an apartment, which they themselves must wait a long time for. Finally there are problems about Danes with activities on Greenland bringing Danish manpower to Greenland. That is not popular in view of the high Greenland unemployment.

Minister of Greenland Affairs Tom Hoyem said that we have not had a Greenland debate for many years. He thinks that the meager interest in the union is shameful.

"We have been tied to Greenland for 250 years. Nonetheless the interest in that country is minimal. Even among the politicians at Christiansborg the interest in Greenland is limited to a small study group. I think that is deplorable."

Tom Hoyem said further that not more than 50 years ago we fought tooth and nail to get Greenland as a part of the Kingdom of Denmark. "We must think about that when we speak of breaking the bonds between our two countries."

Greenland Leader Wants Continued Union

Copenhagen BERLINGSKE TIDENDE in Danish 1 Nov 83 p 8

[Article by Michael Rastrup Smith: "Greenland Will Remain Part of the Union"]

[Text] Head of Government Jonathan Motzfeldt and Minister of Greenland Affairs Tom Hoyem met yesterday at the request of BERLINGSKE TIDENDE to discuss the union. They agreed that Greenland and Denmark are inseparably tied together by century-old bonds.

"Greenland became a part of the union, willing to share its resources with Denmark. And none of the Danes who have chosen Greenland as their home will ever be expelled from the country. They are just as much Greenlanders as everyone else."

This was said by Head of Government Jonathan Motzfeldt yesterday when he discussed relations with Minister of Greenland Affairs Tom Hoyem in the Ministry of Greenland Affairs. The reason was Professor Poul Meyer's proposal to terminate the union between Denmark and Greenland, and remarks that the Greenland Home Government treats Danes badly.

Unrealistic Objective

"We have an objective which is 200 years old. It says that positions which are held by Danes will be replaced by Greenlanders as soon as qualified manpower is available on Greenland. But that is a slow process which is not going to happen today or tomorrow," said Jonathan Motzfeldt.

Minister of Greenland Affairs Tom Hoyem said, "I understand the objective, but it is entirely unrealistic within a few years, because there is still a need for Danes on Greenland. In that connection I will point out that I am minister for 51,000 people on Greenland. They include both Greenlanders and Danes.

"Danes are making a good contribution on Greenland, and I am pleased that both of Greenland's members of the Folketing, Preben Lange and Otto Steenholdt, have disagreed in the Folketing that there is a campaign against them by radicals on Greenland."

Jonathan Motzfeldt said, "I am very distressed about the statement by Professor Meyer that it is only sentimentality which ties our two countries together today. The truth is otherwise. Our cultures are closely connected, and we are related to each other. My own wife is from Amager, and four of my siblings are married to Danes. I am constantly reminded of our relations with Europe. Recently I was on an official visit in the FRG. There I learned that my surname comes from the area around Luneburger Heide. That can certainly be called a cultural tie."

No Experience in Home Rule

"The first ideas of home rule are not more than 10 years old. Much has happened in those 10 years. But since we are a young democracy it will take time for us to get straightened out. The creation of the Home Government has been an exciting and difficult time, and it has been possible thanks to the help and good will of the Danish Folketing and Government. Today we are pleased with the experiment, and can show the rest of the world that this is how the status of a former colony can be solved.

"After the first year of Home Government I learned that it is very difficult when people say, 'What are we doing this for?' It is very difficult to administer things reasonably and correctly. Nobody had experience in Greenland in home rule. Everything had to be built up from the beginning."

Tom Hoyem said, "That calls for something from both Greenland's and Denmark's politicians. It is difficult for me to keep my hands off of things which do not come to me. I get many applications from communities and others in Greenland who disagree with the decisions of the Home Government. They believe that they can appeal to the minister of Greenland affairs. They can do that only in the areas which I deal with, but not in areas in which the Home Government has taken over administration.

"I get itchy fingers to do something with these problems. But there is nothing to do, I must stay out of areas belonging to the Home Government. For example that applies to the entire alcohol situation, about which I am very pleased that they are now taking it up in the parliament."

Jonathan Motzfeldt said, "We have seen many examples of the damage which alcohol abuse has caused the people of Greenland. But nonetheless I will say that you must give us time to get things in order on Greenland. In our thousand-year-old history we have struggled through many catastrophes and survived. I believe we will also conquer this problem."

Can Use Aid and Advice

"The criticism against us by Professor Meyer has come at the most improper time possible. We are a young democracy which was recently created. We do not need criticism, but aid, advice and guidance. Therefore we are seeking cooperation with the Scandinavian countries and with Eskimo groups in the other countries around us.

"Fortunately I do not believe Professor Myer's opinions are deeply shared by the Danes. I do not have that opinion. I myself studied in Denmark for 6 years and encountered many different attitudes toward Greenland, including Poul Meyer's attitude, but it is completely overshadowed by the many Danes who sympathize with Greenland."

Tom Hoyem said, "I also believe that, but I often encounter the attitude when I am attending meetings. I believe it is because Danes are tired of VS [Left-Socialist Party] and others in the Folketing always telling the government that we are a colonial and imperialistic power. Therefore they are saying let us get rid of the problem. That is because they simply do not know what the Home Government is doing. Relations with Greenland give our little country an aspect and a perspective which is very exciting in a greater international connection. That applies to both strategy and resources."

Paper: Correct Institutions, Preserve Union

Copenhagen BERLINGSKE TIDENDE in Danish 2 Nov 83 p 10

[Editorial: "The Union"]

Half a century ago it was a matter of national importance that Greenland should be Danish. That was at a time when the states had not so far been especially sensitive about drawing borders which went through the trackless parts of the globe. Danish sovereignty over Greenland was claimed from olden times, but Norwegian whalers used the Greenland area as a base for whaling which took place in the North Atlantic. This practice went on unimpeded, even after Norwegian independence in 1905. After World War I this traditional use of the Greenland area became a national question between Norway and Denmark.

National awareness of Greenland as a part of the Kingdom of Denmark was first awakened when Norway made a formal claim to Greenland soil. That led to a trial in the international court in The Hague, a trial which Denmark won. Thereafter there has been no conflict over Greenland being a part of the Kingdom of Denmark. With rights and obligations.

On that basis we have sought to create a Greenland policy. The lines have been clear enough. Since World War II the aim has been that Greenland, slowly but surely, should move toward greater independence. The constitution of 1953 was a milestone in this effort, because Greenland thereafter took its place in a union in which there was a difference in the degrees of development between north and south, but in which the lines of division could be broken down within the framework of the constitution.

During the past 30 years Greenland has gone far in political development. Parties have been created which can represent the tendencies in the society, and the formation of political opinion in Greenland is now the most important factor in the formation of Greenland policy. The formation of the Home Government has significantly expedited the process, as was desired.

From individual viewpoints there is no satisfaction with the direction which developments have taken. There are leftwing forces in both the north and the south which desire to end the union on the basis that it is an expression of imperialism in the Marxist connotation. There are also people who fear that the Danish obligation to Greenland will turn into a dislike by Greenland for Denmark. Both viewpoints can lead to a demand that the union be terminated.

In neither the south nor the north is there a majority which wants to move in that direction. But there will continue to be a need for the institutions which have been established for the conduct of the tasks of the union to be modified in step with developments. In that connection it should be

considered whether the Ministry of Greenland Affairs should be maintained for the longer term--if the time is not approaching when Greenland should get an administrative status which corresponds to the Faeroes. That could be a step which would confirm the long developments in relations between Denmark and Greenland.

Newspaper Sowing Distrust on Greenland

Copenhagen BERLINGSKE TIDENDE in Danish 4 Nov 83 p 9

[Article by Michael Rastrup Smith: "Jonathan Motzfeldt Says New Newspaper Sowing Poison in Greenland-Denmark Relations"]

[Text] Editor Hans Hetler's paper GRONLAND DANSK has an uphill job. The minister of Greenland affairs has repudiated the paper, and Head of Government Jonathan Motzfeldt has called it a poison in Greenland-Denmark relations. Leading Greenland politicians have been called alcoholics and visitors to brothels, and are accused of not doing their jobs.

Racists, visitors to brothels, cowardly protagonists--those are some of the names which leading Greenland politicians have been called in the paper GRONLAND DANSK which is edited by Hans Hetler.

The paper has attacked Minister of Greenland Affairs Tom Hoyem as well as Greenland's Head of Government Jonathan Motzfeldt. They both repudiate it, and call it an attempt to divide the peoples of Greenland and Denmark.

Hans Hetler, who previously published the controversial paper MINUT is the responsible editor of the paper GRONLAND DANSK.

Published in Flensburg

It is published from Hetler's address in Flensburg. The paper claims to publish 3,500 copies, of which 2,700 are sent to Greenland.

GRONLAND DANSK is enjoyed, according to Hans Hetler, especially by Danish base personnel on Greenland. It has caused great irritation in Greenland political circles. Articles in the paper often deal with top Greenland politicians, who are "revealed" as alcoholics, visitors to brothels, etc. Politicians are consistently called county council members, and Head of Government Jonathan Motzfeldt is designated only as a mayor.

Nightmare

"I repudiate the newspaper GRONLAND DANSK," said Minister of Greenland Affairs Tom Hoyem. "It gives me nightmares to think about what could happen

if the ideas that the paper stands for are combined with the ideas of radical circles in Greenland."

Hans Hetler publishes GRONLAND DANSK together with a group of fellow editors whom he will not name. According to Hetler, the reason is that it would be a security risk for his colleagues to be known.

Head of Government Jonathan Motzfeldt, who himself has been violently attacked in GRONLAND DANSK, said about the paper, "It is my opinion that such a newspaper is a poison between groups of people. It sharpens animosities and hatreds in an entirely wrong way."

9287

CSO: 3613/36

SECURITY OFFICIAL ON GDR FINANCING OF DKP

Bonn DIE WELT in German 2 Nov 83 p 6

[Article by Werner Kahl, Passau: "SED Firms Act as the DKP's Bank Tellers-- Security Official Discusses Communist Money Transactions"]

[Text] The president of the Bavarian Office for the Protection of the Constitution, Hermann Haering, has for the first time publicly discussed the German Communist Party (DKP). At the all-Germany meeting of the exiled CDU in Passau, Haering indicated that by using doctored account books, the DKP is trying to hide, especially from the unofficial "peace movement", its financial dependence on East Berlin and Moscow. In saying this, Haering gave his opinion concerning this fall's discussions concerning some "peace movement" groups; doubts about the fact that the DKP is dancing to the tune of the GDR's Unity Party [SED].

Based on intelligence reports, Haering considers the DKP, which, because of its 0.2 percent share of the votes in the 1983 Bundestag elections, has been dismissed as insignificant, as a [DM] "hundred million party". However, in the opinion of the security chief, this sum constitutes only that part of actual expenditures which "can be calculated by outsiders from median figures." While in the days of the Komintern, the Third Communist Internationale founded by Lenin, couriers were on the road carrying suitcases full of money, Haering stated that today the SED Central Committee's "West Department" in East Berlin has found a "new method" for its financial transactions.

The authorities are aware of the fact that a number of communist firms have been founded or purchased in the FRG with financial contributions from the GDR. According to Haering, they are being operated by front men, while their true guidance and direction come from the SED Central Committee's economic directorate.

According to the security chief, many of these firms are "intertwined as to personnel and finances." Most of them are import-export firms, freight forwarders, travel agencies and advertising agencies. "Many professional DKP officials are quasi-employees" of these enterprises, he added. Says Haering: "These firms have all the earmarks of SED banking facilities which cash checks for the DKP."

Haering also mentioned that one method of "inventing sources of DM currency income" consists of "forcing West German firms of advertising in DKP publications." Failing that, they would not receive incentive funds for trade with the East bloc. About 600 firms, two-thirds of them from the FRG, advertise in the annual MESSEMAGAZIN INTERNATIONAL, published for the Leipzig Spring Trade Fair by the Rhineland publishing house Plambeck & Co. in Neuss, the DKP's own printer. In this manner, says Haering, "the DKP receives millions year after year from West German industry, directly and legally."

Apart from financing and training activities, the security chief also mentioned travel by delegations and invitations, directed primarily to West German youth organizations, which clearly showed a pattern of guidance by the DKP and its affiliated organizations.

The number of delegations from the FRG traveling to the GDR has in the past year increased from an annual average of 600 to 800, with about 10,000 participants and "a continuing mounting trend." The following named organizations participated in the communist FDJ's summer encampment in Potsdam last September (under the motto: "Policy for Alliance): "German Friends of Nature" (NFJD); "German Young Democrats" (DJD); "German Socialist Youth--The Falcons"; "Association of German Boy Scouts" and members of the Socialist University Association (SHB).

But, said Haering, as far as youth exchanges in the East-West direction are concerned, a citizen of the GDR is first admitted to the "travel cadre" as a "candidate"--after a thorough investigation of his adherence to the party line and his aptitude for argumentation and debate. Those delegations which are eventually permitted to travel to the West are under the surveillance of the GDR state security service wherever they are staying. In addition, their mission for every excursion to the West is stated to be: "Recruitment for real socialism."

9273

CSO: 3620/56

SDP NEWSPAPERS ASK IF USSR FRIENDSHIP SOCIETY IS 'CP PROPERTY'

Helsinki HELSINGIN SANOMAT in Finnish 7 Oct 83 p 9

[Editorial Opinion: "Friendship Society Property of Finnish CP?"]

[Text] In principle the Finland-USSR Society represents broad segments of the citizenry and various political views from one side of the spectrum to the other. However, the Communists have "mildly speaking strong positions" in the society's leadership structure and some of the Communists have treated the society as the property of their own party according to criticism directed at the society in articles published in SDP newspapers. This criticism was expressed by, among others, HAMEEN KANSA, which is published in Hameenlinna.

"Since the SKP [Finnish Communist Party] has been divided into three factions at the least, it has introduced its own additional traits into the decision-making process of the society. The society's reputation has not increased among non-Communists," states the article.

"The internal situation in the SKP has been concretely reflected in the election of a successor to Christina Porkkala, the long-time general secretary of the SNS [Finland-USSR Society]. It took a long time even before the Communists were able to initiate an exchange of opinions on the issue. Then they took the issue to the SKP Politburo to be resolved as if it were a place in which the most important decisions of the SNS can, who knows, be made. When a decision on a candidate had been made after a vote, this candidacy was retracted because of an alleged negative position on the part of the Soviets. After that, a new candidate was selected in the SKP -- the kind of Communist whom the majority, the minority, and the people in between could accept. The election of Erkki Kivimäki is, however, a clear interim solution since after a few years in his new position he will have to retire.

The SKP's method of dealing with the election of the general secretary of the SNS is not worthy of a decent assessment. From the point of view of the organization itself it is degrading that it has not once emphasized such requirements as experience, expertise, and competency, but communism. It would have been more fair to place an announcement in the newspaper and fill the position on the basis of an application and other information and establish as its only prerequisite the ability to promote the cause of the SNS.

10576

CSO: 3617/24

MODERATE LOSSES TO STALINIST IN USSR FRIENDSHIP SOCIETY VOTE

Helsinki HELSINGIN SANOMAT in Finnish 7 Oct 83 p 11

[Article: "Kivimaki General Secretary of Finland-USSR Society"]

[Text] On Thursday the central leadership of the Finland-USSR Society elected Erkki Kivimaki as the society's new general secretary. The election was unanimous. Kivimaki will accept his new position in the beginning of December when Christina Porkkala, who has been general secretary since 1971, retires.

Only a few speeches were delivered in connection with the election. An expression of support for Kivimaki was given by Kalevi Kilpi, a member of the central leadership, who considered him to be suitable for the post.

However, Kilpi considered it regrettable that in the preparations for the elections Chief Editor Erkki Kauppila of KANSAN UUTiset was branded as being unworthy of working on behalf of Finnish and Soviet friendship.

In Kilpi's opinion Kauppila is the Soviet Union's warmest friend, and he hoped Chairman Martti Miettunen, the new general secretary, or the vice-chairman would straighten out this misunderstanding to our Soviet friends at the proper time.

Kivimaki is the managing director of the Yhteistyo Printing House and is 60 years of age. His term in office will last 3 years since the retirement age for a general secretary is 63.

Kivimaki has studied in the political science faculty, the Sirola Institute, and in Moscow. He served as office chief of the State Police in 1945--49. He served in various capacities in the Finnish Communist Party until 1981, most recently as first secretary when Arvo Aalto was in the government. The Finland-USSR Society has 120,000 registered members.

10576

CSO: 3617/24

PAPER COMPLAINS OF PARLIAMENT'S HANDLING OF USSR TREATY

Helsinki HELSINGIN SANOMAT in Finnish 13 Oct 83 p 2

[Editorial: "USSR Treaty Confusion in Parliament"]

[Text] Finland is in need of a more relevant and enlightened foreign policy debate in parliament. Nevertheless, parliament seldom subjects this area to a more extensive debate. There is seldom a natural opportunity for this since, for example, the government is reluctant to give it the authority to make foreign policy statements and even in budgetary debates foreign policy tends to remain in the background behind other issues.

However, on Tuesday parliament had a suitable opportunity to discuss foreign policy since it had to consider the renewal of the YYA [Friendship, Cooperation, and Mutual Aid] Pact between Finland and the Soviet Union and its submission to the Foreign Affairs Committee. Indeed, the matter should have been of interest. It is a question of one of the most important cornerstones of our basic foreign policy line. But what actually happened.

The speaker's council recommended that the "actual" debate on this issue should be conducted only after the Foreign Affairs Committee has completed its report. Later it was explained that by its recommendation the speaker's council meant only those speeches coming from party factions and not any others. At the same time the speaker's council announced that Foreign Minister Vayrynen will speak at Tuesday's preliminary debate before sending the bill to committee. However, the speech was cancelled and postponed until the "actual" debate when it was learned that the same procedure had also been used in 1970 in renewing the same treaty.

However, a debate on the issue transpired as is the practice in submitting a bill to committee. The parliamentary system guarantees each MP the right to express his or her opinion on all issues being debated and on all of its legal aspects as is the practice in parliament. The only restrictions are that in their actions they observe justice, truth, and the constitution as well as the requirements of serious and dignified conduct.

But those who expected relevance from this foreign policy debate were to be disappointed, not to mention those who did not even want to debate the issue at all at this time. The point of the debate was directed at the procedure

used in the handling of the YYA Pact. The reason for this was either the ambiguous recommendation of the speaker's council or at the very least a lack of information on its actual purpose in the final deliberation.

In foreign policy affairs traditional and small differences in nuance with respect to procedures generally have their own significance. In this case parliamentary procedure did not, however, have anything to do with the treaty being debated. It was a question of a domestic confusion, which should not occur in matters of this nature. Such occurrences can unintentionally cast a shadow that can distort the debate on this issue in spite of the fact that parliament is in this case, without a doubt, unanimously in favor of renewing the YYA Pact.

10576

CSO: 3617/24

LEADING NEWSPAPER COMMENTS ON GRENADA IN RELATION TO NATO

Helsinki HELSINGIN SANOMAT in Finnish 2 Nov 83 p 2

[Editorial: "Grenada Shakes Up NATO"]

[Text] When the world's strongest nation begins its attack against one of the weakest nations in the world, there can be no doubt about the outcome. As a military operation, the United States invasion of the island state of Grenada has been a simple one. Politically, however, it has uncovered a chain reaction which is clearly straining the western alliance.

During the past week, the United States leadership has issued statements linking Lebanon and Grenada. President Ronald Reagan stated that Cuba was acting for the Soviet Union in Grenada in the same manner the Soviet Union is the background force in the chaos in Lebanon. In Reagan's opinion, the issue is the fact that neither the United States nor the free world in general can allow the Near East to be shut off into the Soviet block.

According to Reagan, Grenada was facing the same danger. During his meeting in Paris with the French, British and Italian foreign ministers Secretary of State George Schultz said that the United States was considering retaliation in Lebanon where the tracks of bomb-carrying trucks lead in the direction of Iran.

According to the United States State Department one should not rush into conclusions based on the speeches of the president or the secretary of state. Yet, after Grenada, everything is possible, according to the State Department.

The hardening criticism of the United States by European NATO countries and by the government of England in particular is clearly caused by a fear of getting involved in adventures without the right to vote.

The United States leadership has clearly taken West European support and participation for granted. This notion is obviously erroneous.

British Prime Minister Margaret Thatcher, whose pet idea for years has been a special relationship across the Atlantic, has, in particularly bitter tones, reminded Reagan of the fact that NATO countries do not maintain armed forces for the purpose of instigating changes in the social systems of other countries. The warning is significantly straightforward.

As far as NATO is concerned, Tuesday was an unusual day in the House of Commons which approved the arrival of the cruise missiles, but in its criticism of the United States pointed to a great danger of a rift in the future.

In spite of the growing wave of civil, disobedience testing the continent, NATO has survived as surprisingly whole up to the month before the arrival of the Euro missiles. When the lessons of the Grenada invasion sink in, the scars of Euro missiles can reopen more painfully than ever.

The Americans are not making Grenada any easier for their allies in claiming that criticism will die down quickly and, in any case, after the member nations have had the freedom to express their opinions. Statements from the United States leadership have simply underlined the traditional arrogance of a superpower.

In small NATO countries, public opinion has generally trusted that the military alliance will ultimately guarantee the preservation of the familiar social system with all its rights and values. An insurmountable conflict will emerge if the leading ally tries to involve the member nations in a crusade.

The invasion of Grenada could strengthen the neutrality debate which arises in western Europe from time to time, at least for the duration of the current view of the world dominating the United States.

8200

CSO: 3617/32

POLL: MOST FINNS ARE SATISFIED WITH FOREIGN RELATIONS

Helsinki HELSINGIN SANOMAT in Finnish 20 Oct 83 p 9

[Article: "Gallup: The Finns Are Satisfied With the Foreign Policy"]

[Text] According to the poll conducted in the middle of October, 94 percent of the Finns think that our foreign policy has been well handled. Approximately two percent estimated it has been handled poorly. The estimates of Finland's foreign policy are a little bit more positive than during the last decade on average and as high as last fall and the fall before that.

The opinions of the Finns were investigated in the research of the planning commission of the national defense information (MTS), which was conducted by Finland's Gallup Inc. In the poll 330 people altogether were interviewed.

Of all participants 20 percent estimated that the foreign policy has been very well handled, 74 percent pretty well handled, two percent pretty poorly handled, and less than one percent found it very poorly handled. A year ago five percent of those who responded to the poll thought that the foreign policy has been poorly handled.

The present activity of Finland's foreign policy was considered appropriate by 73 percent of those interviewed. 16 percent would like to have stronger statements than the present one, and nine percent would like to have more careful statements. Those under 25 hoped more than others for a more active foreign policy. This has not been inquired in the previous polls.

The attitude of the Finns toward the defense budget has not changed. Like last year and the year before, 50 percent is for the present budget, every third person would like to raise them, and every seventh would like to decrease them.

Men have a more positive attitude towards the defense budget than women. More positive than all the others are those over 50 years. The most reserved are those under 25, among them every fifth would decrease and every fifth would increase the defense expenses.

The planning commission of the national defense information is a permanent parliamentary committee reporting to the Ministry of Defense. Its tasks include publication, education, and research activities which are part of the defense policy within the national defense.

KOIVISTO CHALLENGES JAKOBSON FOREIGN AFFAIRS STATEMENTS

Helsinki HELSINGIN SANOMAT in Finnish 19 Oct 83 p 12

[Article" Koivisto Criticized Max Jakobson's Book"]

[Text] President Mauno Koivisto finds president Max Jakobson's latest book "The 38th Floor" partly spiteful. Koivisto presented his critical opinion of Jakobson's book to the parliament's commission of foreign affairs, which met with the president in the presidential palace for less than an hour on Tuesday.

Jakobson's book, which has been a subject for a heavy debate in the newspapers for more than a week, happened to be brought up in the discussion as the president commented on the clamor with regard to foreign affairs over the past few days. However, Koivisto did not go deeper into details according to the sources.

In his book "The 38th Floor," Max Jakobson, who is the current president of the Economic Commission, tells about his activities at an observation post, as far as Finland's foreign policy is concerned, as Finland's ambassador to the United Nations during 1965-71. The term ended in an unsuccessful attempt to promote Jakobson to secretary general of the United Nations.

However, there has been more discussion of Jakobson's interpretation of the relations between Finland and the Soviet Union after the crisis of Czechoslovakia and of the Soviet Union's desire to narrow the definition of Finland's neutrality by means of the Treaty of Friendship, Cooperation and Mutual Assistance.

Definition of Neutrality

In his discussions with the parliament's commission of foreign affairs, president Koivisto concentrated mainly on his talks in the United States.

President Ronald Reagan used the definition "internationally recognized neutrality" of Finland's policy. According to Koivisto, it does not, however, involve any international arrangement to secure Finland's neutrality.

At some point, also the definition "international neutrality" could be noted in American writings, but the Americans decided to choose by themselves the form used by Reagan.

Tighter Attitude Toward Nuclear Weapons

According to the sources, Finland's tighter attitude toward nuclear weapons was also brought up in the discussion between Koivisto and the parliament's commission of foreign affairs.

On Tuesday the president confirmed the interpretations of the speech he had made in the United Nations, according to which Finland is now ready to support proposals which aim to prohibit the first use of nuclear weapons.

Such a proposal was made by the Soviet Union at the United Nations' special session on disarmament in the summer of 1982, but at that time Finland did not comment on the proposal.

After the speech, there has been rumors going around in the parliamentary circles, according to which Finland's changed attitude with regard to the prohibition of the first use would originally have been included also in the president's speech in the United Nations.

This is, however, not true according to the sources. Instead the Ministry of Foreign Affairs made it clear what the president's speech in the United Nations meant.

On Tuesday, when meeting with the parliament's commission of foreign affairs, president Koivisto made it clear that he will not get involved in the discussion about Finland's parliamentary commission's activities at the International Parliamentary Union (IPU) meeting in Seoul.

12190

CSO: 3617/22

SDP SECRETARY CHIDES PARLIAMENT FOR DEBATE ON FOREIGN AFFAIRS

Helsinki UUSI SUOMI in Finnish 30 Sep 83 p 40

[Article: "Lipponen Got Upset: Eagerness in Foreign Policy Must Be Calmed Down"]

[Text] Social Democratic representative Paavo Lipponen warns the parliament not to stumble in its foreign relations. As a warning example Lipponen gave the previous parliament.

"The parliament will get tangled up with its own wittiness if the parliament's role in foreign policy is not understood correctly," said Lipponen during the preliminary budget discussion in the parliament on Thursday.

In his speech Lipponen referred indirectly to the confusion in foreign policy caused by the former speaker of the house, Johannes Virolainen (Center). Virolainen made a controversial trip to Poland where he met with the top leaders of the military government.

"According to the constitution, the president of the republic is in charge of foreign policy with the assistance of the Ministry of Foreign Affairs. The parliament cannot have any foreign policy of its own," hammered Lipponen.

12190

CSO: 3617/22

CONFERENCE DEBATES KOIVISTO'S ROLE IN FOREIGN AFFAIRS

Helsinki HELSINGIN SANOMAT in Finnish 22 Oct 83 p 9

[Article by Kyosti Karvonen: "Seminar Discussed the Contents and the Discussion Level in Politics. Koivisto and Foreign Relation--Is He a Judge or a Doctor"]

[Text] Did President Mauno Koivisto trade his traditional doctor's smock for a judge's robe on his recent trip to the United States? His Finland's foreign policy developed new contents or is it following its old tracks? Why is the discussion level so low with regard to foreign policy?

Finland's foreign relations in Koivisto's era were discussed at the seminar organized by the national defense team of the institute of foreign affairs, in Helsinki on Friday. There was strong unanimity that the afternoon newspapers were to blame for the low discussion level--despite the fact that they could be seen on the discussants' desks.

The deepest analysis of Koivisto's speeches in the United States was presented by special researcher Pertti Joenniemi, according to whom they were policy speeches similar to some of President Urho Kekkonen's speeches during the first half of the 1960's.

According to Joenniemi, in his speeches Koivisto had, contrary to all expectations, chosen a role which did not include the traditional butler's role in foreign relations to offer services to others.

According to Joenniemi, Koivisto turned a page in the history of Finland's disarmament policy by strongly expressing his opinion against nuclear weapons and commenting on the superpowers' doctrine issues and reflecting the feelings of the peace movements. This was more a judge's way of speaking, not that of a doctor's concluded Joenniemi.

Assistant Mayor Erkki Tuomioja, who responded to Joenniemi, made a sarcastic remark that many people had missed the deep structure of Koivisto's speech, perhaps this happened to Joenniemi, too, in the first place.

Why Is UKK's Policy Carried on

Tuomioja found Finland's foreign policy insufficient, as far as the peace movement's expectations are concerned, and according to him, the idling in foreign policy is a result of the fact that we try to follow UKK's policy too slavishly.

After the detente got stranded, the trends are bad, and Finland does not have possibilities to offer its butler's services. For Finland the most important thing is to keep up the process, and the lack of contents in foreign policy appears clearly in the present world situation, whipped Tuomioja.

According to Tuomioja, Finland has lost the initiative for Nordic nuclear free zone to Sweden, and it seems that Finland does not have anything new to say about the project. He criticized Koivisto's foreign policy especially because it is a continuation of UKK's foreign policy.

According to Kari Mottola, director of the institute of foreign affairs, the beginning of Koivisto's era has been characterized by the tension between continuation and expectation for a change. Nevertheless, he found that Koivisto's opening--visits to the superpowers and neighboring countries--is like a repetition of Kekkonen's time at the end of the 1950's and at the beginning of the 1960's.

Mottonen estimated that in his foreign policy Koivisto has returned to the same line that Kekkonen followed before the period of detente started. In the president's speech at the United Nations, Mottonen found ingredients of UKK's and Osten Unden's, Sweden's Foreign Minister at that time, policy, characterized by opposition to nuclear weapons, which was so typical of small nations.

IPU Activities Like Playing Softball

Editor-in-Chief Bo Stenstrom, who is known for being part of the orthodox wing in UKK's parish, estimated the discussion level regarding foreign policy. According to him, nowadays, the discussion is not based on factual writings, but on exaggerations and simplifications.

According to Stenstrom, the discussion about liturgies in foreign policy refer to the new republic's discussional atmosphere, full of narcissistic features, which is tired of the old. According to him, the liturgy has been replaced by Liatinen-style defamation.

Stenstrom named the "IPU activities" of the Finnish IPU commission as the new national sports after softball, in which they run and hit hard, but the outside world's interest in "IPU activities" remains on the same level as its interest in softball.

Stenstrom accused the Finns of a teen-age attitude towards Koivisto as well as of their desire to test how the president reacts. He hoped that spreading information on foreign policy would reduce its commercial attractiveness.

Professor Jukka Nevakivi remarked, referring to the so called "fortuneteller women" discussion, that professor Raimo Vayrynen's comment on the possibility of bringing nuclear weapons into Finland was pertinent. President Koivisto has now made it clear that Finland will not allow nuclear weapons in its territory under any circumstances.

Editor-in-Chief Seppo Sarlund praised that Koivisto had strictly followed the main line in foreign policy, but he suspected that behind the president's back, there might be something that is still unknown. According to him, it is good to make comments on world-wide issues, but he thought that he had noticed signs that importance of the relations between Finland and the Soviet Union would be underestimated.

Secretary General Jorma Hentila took the stand that there has to be room for discussion about foreign policy and even for criticism. Hentila also hoped that the presidential party, SDP, would not become as touchy as the previous presidential party, Kepu (Center), and that SDP would not interpret the criticism as anti-Koivisto.

Editor-in-Chief Jan-Magnus Jansson said that, when he spoke about carelessness in foreign policy in the newspaper statement, he meant that, nowadays, people do not want to listen to those who tell that things used to be worse than they are today. Jansson referred to Sweden which has, because of the submarine incidents, among other things, ended up in an embarrassing situation, as far as its foreign policy is concerned, over the last few years.

As a whole, the afternoon seminar was an attendance record, which interested at least reporters and perhaps also influencers in foreign policy more than the Paasikivi Society at its best.

12190
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LATEST POLL SHOWS DROP IN SUPPORT FOR SDP, CONSERVATIVES

Helsinki HELSINGIN SANOMAT in Finnish 30 Oct 83 p 11

[Article: "Fresh Opinion Poll: Left, Conservatives Going Downhill"]

[Text] According to the latest opinion poll, support for the left has clearly dropped since the last parliamentary elections. The poll also shows a clear downhill trend for the Conservative Party.

Last Saturday, the Central Party organ KESKISUOMALAINEN, published in Jyvaskyla, made public the results of the study conducted for the newspaper by Taloustutkimus Oy.

According to the poll, the Finnish Rural Party has fared best, with research showing a 2.5 percent gain since the spring elections. The "Greens" have increased their support by almost the same margin.

The study shows a drop of 2.2 percent in the support for the Social Democratic Party and a drop of 1.7 percent for the Finnish People's Democratic League. The study points to a loss of 1.4 percent for the Conservative Party.

In addition to the Rural Party and the "Greens", the study indicates rising support for the Christian League. The figures for the Center Party and its member organization the Liberal Party as well as for the Swedish People's Party are practically same as in the spring elections.

The poll by Taloustutkimus was conducted between September 19 and October 24. A total of 1,020 citizens of voting age were polled.

The study shows following support figures for the parties; in parenthesis, the results of last spring's parliamentary elections: Social Democratic Party 24.5 (26.7), Conservative Party 20.7 (22.1), Center Party and the Liberals 17.7 (17.6), Finnish People's Democratic League 12.3 (14.0), Finnish Rural Party 12.2 (9.7), Swedish People's Party 4.7 (4.6), the "Greens" 3.8 (1.5), Christian League 3.6 (3.0), Constitutional Part 1.3 (0.4), Citizens' League and other groups 0.2 (0.4).

According to the study, support for the right wing parties stands at 63.2 percent and support for the left wing parties stands at 36.8 percent. The change from left to right is 3.9 percentage points.

ATTENDANCE AT SEOUL IPU CONFERENCE STIRS POLITICAL DEBATE

Delegation Chairman Leaves Meeting

Helsinki UUSI SUOMI in Finnish 18 Oct 83 p 7

[Article: "IPU Group Facing Critical Meeting"]

[Text] Finland's IPU group will launder its clothes immediately after the group's chairman, Juhani Tuomaala, convenes the group together for a meeting.

The pressures for this laundering come from the Communists, who did not participate in the recent conference in Seoul. The Communists have not even disguised their desire to draw foreign policy conclusions from the conduct of Finland's IPU delegation.

There will also be other pressures at the meeting, but the primary emphasis will be directed against the delegation's chairman, who returned from the conference ahead of schedule.

However, it is feared that this critical meeting of the group will be delayed if only for the reason that feelings will be allowed to subside.

It was confirmed in the IPU delegation that not one of the group's members except for Tuomaala left the conference before all essential issues had been debated at the regular session.

SDP members Seppo Tikka and Reino Paasilinna departed "a couple hours" before the conclusion of the conference since they had to leave for the airport to catch their scheduled flight.

Stalinist Organ: MP's Aided U.S.

Helsinki TIEDONANTAJA in Finnish 19 Oct 83 p 2

[Editorial: "IPU Still Subject of Discussion"]

[Text] The scandal caused by Finnish MP's at the IPU conference is not coming to an end. MP Jutta Zilliacus wants to know why the leader of the delegation, MP Juhani Tuomaala, left before the meeting was over. Thus the question is:

Why Tuomaala did not participate in the most rancorous possible condemnation of the Soviet Union as a result of the failure of the spy mission carried out by a Korean aircraft?

Zilliacus wants to obtain compensation from the Soviet Union for this failure. It is, indeed, intolerable that the president of the United States dispatches a spy plane and then it encounters a terrible misfortune.

Supposedly Zilliacus and Reino Paasilinna were completely serious. They cannot understand why Tuomaala left after having determined what was expected of the IPU conference.

What was contained in the unanimously approved text and condemnation signed by the Finns is, of course, the subject of general interest. We, Finland, the other party to the YYA [Friendship, Cooperation, and Mutual Aid] Pact, we who have been the exemplary model of friendship and mutual respect in the world, thus we according to leading Finnish MP's participating in the conference want to say that "profoundly deploring the brutal shooting down of the civilian aircraft of Korean Airlines by a Soviet fighter plane on 1 September 1983, resulting in the death of 269 innocent men, women, and children from 15 countries..." and so on...

This says a lot for us as the other partner of the YYA Pact.

Henceforth, friendship and cooperation, not to mention peaceful coexistence, will most likely become quite impossible.

Indeed, Finland has reliable MP's at least always when the USA needs them.

But seriously speaking: Why did Finland not propose the condemnation of the foreign policy leadership of the United States, President Reagan, for the fact that a Korean aircraft was sent on a spy mission with his knowledge and including the possible risk of being shot down? The other question is as follows: Why did the Finns not condemn the killing of civilians, which the political leadership of the United States knowingly arranged for the purpose of obtaining a good propaganda weapon.

Zilliacus and Paasilinna have, indeed, criticized policy with very strong statements. Never mind that Zilliacus does not know anything about foreign policy, but what about Paasilinna, who as an official is acquainted with the fine points of foreign policy? This certainly cannot be calculated as a wooing of the president?

Virolainen, Stenback Join Critics

Helsinki UUSI SUOMI in Finnish 25 Oct 83 p 8

[Article: "Virolainen and Stenback Join in Criticism of IPU"]

[Text] Former Chairman Johannes Virolainen (Center Party) and former Foreign Minister Par Stenback (Swedish People's Party) consider that Finland's IPU

delegation conducted itself incorrectly in Seoul when it adopted a stand together with other Western countries on the downing of the Korean aircraft.

At a seminar of centrist journalists over the weekend Virolainen stated that the Finns should have presented a dissenting opinion at the conference.

Stenback, on the other hand, states only that the delegation could have conducted itself in a different manner.

Virolainen's speech is directed at the conduct of the whole IPJ delegation since even its chairman, Juhani Tuomaala, approved its actions at the working group level at the conference and within the Finnish delegation even though he was not present at the time of the decision.

Stenback's hindsight, on the other hand, is directed at Jutta Zilliacus (Swedish People's Party), who acted as chairman of the Finnish delegation during Tuomaala's absence.

Zilliacus answered Stenback in ILTALEHTI by stating that the delegation was not able to act differently.

Zilliacus tells his party's chairman, Stenback, and Tuomaala that it is easy to offer criticism from Helsinki when one is not present. Zilliacus states that Tuomaala simply vanished from the scene.

Zilliacus tells the critics that if the delegation had deviated from Finland's policy line, then so what.

"There are situations in which a slight deviation is not dangerous. I would act in the same manner if the same situation were to arise again," states Jutta Zilliacus in ILTALEHTI.

10576

CSO: 3617/28

DECENTRALIZATION: GOVERNMENTAL CHAOS, POPULAR RESENTMENT

Paris CONTREPOINT in French No 46 [Fall 1983] pp 115-119

[Article by Jean-Pierre Cassabel]

[Text] Decentralization has been loudly proclaimed as the major reform of the administration of President Mitterrand. It was claimed that it was the symbol of the changes brought in by the socialists. In this respect, as in so many others, the socialists counted on words to provide depth to what was lacking in substance. This involves a continuing effort to confer on the decentralization program a certain aura of sacredness. This program is an act of self-commemoration, but there also the words clearly go further than the actions that have been taken.

Conceived in haste and only in sketchy terms, a project developed in only perfunctory fashion, this reform stands out because of the fact that it has fallen apart as soon as it began to be applied. The reason for this is quite simple: decentralization was conceived in negative terms. It was adopted in particular to destroy the middle levels of state authority, whereas, to be genuine, it should have been imbued with a principle of strict cooperation between local government authorities and the central government. However, conceived and applied as it has been, decentralization is nothing more than a state-operated rummage sale.

Socialist Decentralization Is Decentralization Against the Central Government

To set local government free, the socialist government destroyed the territorial structure of the state. In structural terms the transfer of executive authority to the presidents of the general councils [of the departments] and to the presidents of the regional councils, an irreversible step that was justified in principle, was accompanied by the progressive disorganization of the state. Following the adoption of the Law of 2 March 1982, the prefectures were divided up and are now often faced with such a state of appalling shortages of staff that the commitments made by the prefects can no longer be met. Quite often the personnel needed for the performance of the duties of the transferred executive authority are not replaced. In many cases the prefect and the services directly related to him have become squatters in the respective departments. The central government has refused to assume responsibility for its representatives, and the National Assembly has made the support of the prefect, his staff, and all of the personnel of the

prefecture an obligation of the departments. The majority of the principal central government services: the DDE [Departmental Equipment Bureau], the DDA [expansion unknown], and the DDASS [expansion unknown] have been turned over to the departments. The presidents of the general councils can make use of them. Already the general councils are financing the bulk of their activities, whereas the prefect is supposed to direct them. At the same time a number of presidents of general or regional councils have taken them over without further ado, and here and there we observe continuing signs of discord in which the chiefs of the various services are left on their own. These have quickly come to understand that with two masters to serve, in fact they no longer have any. In this state of extreme disorder local government authorities spend their time avoiding touchy or contradictory orders of one side or the other. As of now the only achievement of the government is having arranged for the relative and temporary silencing of the large central trade unions of the civil service.

In terms of the devolution of power, the central government had solemnly declared that the process of turning over authority to local government bodies involved the local representatives of the central government. The prefects had received the mission of directing the local services of the central government. A state of disorder now reigns. The ministers often continue to exercise a rather heavy-handed form of supervision of local government, while imagining in their minds a system for the dismemberment of the government and, in particular, the services of the central government. Many locally-elected representatives know today that in the areas of culture, energy, and certain major public works the central government services have become their special and meddlesome opposite numbers because the decision-making power has been centralized with the creation of mini-regions. Finally, what can we say of a republic which is no longer the republic it once was, when it is recalled that one region, Corsica, has its own representatives elected by universal suffrage and that the other regions, 1 year after passage of the decentralization law, have the same status as before?

The socialist preamble to the decentralization program signified the weakening of the central government. Although it has lost almost all of its bets, the socialist government has won that wager, at least. There have never been so many government employees, and the central government has never been so weak and so badly served.

Setting free local government has meant the birth of new systems of supervision. Thus, the Administrative Tribunal recently abolished the regulations of the Regional Public Authority of the Languedoc-Roussillon Area, following an appeal which another colleague and I had presented. Under this decision mayors of cities and towns are to present their requests for funds to the presidents of the general councils of their respective departments. In this way the supervisory authority previously exercised by the prefect has been replaced by that of the president of the departmental executive authority. This rebirth of supervisory authority has also been arranged for by the central government which has put its budget allocations up for auction by introducing the practice of application contracts by linking its participation to the effort made by the local government authority. This is the mirage of contracts for cultural development, which will require the region concerned to commit itself financially for several fiscal years, whereas the central government, imprisoned in the iron collar of the annual budget, will only be able to set out general objectives.

For 1963 the Ministry of Economy, Finance, and Budget has limited increases in charges for local public services to an extent lower than the inflation rate. The local taxpayer will make up the difference.

The Caisse des Depots et Consignations [Fund for Deposits and Allocations] has authorized its regional representatives to prepare on a unilateral basis a list of equipment financed by local government authorities. The possibility of one local government authority exercising a kind of supervisory power over another has been strengthened in this way. Decentralization gives the regional authorities the power to impose on the various departments and communes under them the courses of action which a given regional authority will have agreed upon with the central government in a planning contract. For example, local programs on housing will be submitted to the regional authorities, and the future departmental housing council will determine the rules for the use of local government-owned housing which will be applied to the communes. The various departments have the power to allocate among the communes the money transferred to the Fund Provided by the State (FACS). The departments allocate the subsidies provided for rural equipment procured by the communes and continue to impose on the communes the respective social assistance quotas.

Supervision of legal and financial acts performed by the communes threatens to become a very heavy burden for local government authorities. The regulations at times are so obscure that a determined prefect will easily be able to interfere with the activities and freedom of action of communes controlled by the opposition to the central government. The supervision of personnel will also be affected by such a political outlook. The project presently under consideration to establish a regionally-controlled civil service will make it possible for minority trade unions to impose their wishes on locally-elected council members in terms of personnel assigned to regional and departmental committees.

Transfer of Responsibilities and Cost Burdens

The areas of authority whose transfer to regional and local government is authorized in the decentralization law are: urban planning, housing, job training, overall planning, and rural equipment procurement. These programs are to be handled by the departments. Certain powers have been or will also be transferred to the local authorities in the fields of transportation, education, social action, and health. Although this transfer is arguable in principle, it is unacceptable in the way it is being handled. The transfer of financial burdens has been arranged essentially to the detriment of the communes and the departments. As of now the financial burdens transferred to local government authorities amount to about 12 billion francs. Compensation for these transfers of financial burdens involve certain tax-raising authority and allocations from the General Decentralization Allocation (DAG). Now an evaluation of the total compensation shows that it is clearly inadequate. Already, locally-elected council members have bitterly termed the 1953 Dotation Globale d'Equipeement [Overall Equipment Allocation] as ridiculous and laughable. The arrangements made for further development of the compensation program are totally unsuitable. The taxes transferred to local authorities (automobile registration, revenue stamps, registration charges, etc) cannot be increased much further and will result in added burdens in terms of local taxes. This principle of an Overall Decentralization Grant will involve doubling the tax

burden because it contains all of the drawbacks inherent in setting up such an overall system.

Any further increase in the Dotation Globale de Fonctionnement [Overall operating Allocation], which had been substantially increased from 1978 to 1981, and which basically came from the net receipts from the TVA [Value Added Tax], has been constrained by the general slowdown of economic activity. Local government authorities are the first victims of the irresponsibility and the experimental, adventurist attitudes displayed in the successive economic policies followed by the Left since May 1981. As for the Dotation Globale d'Equipement [Overall Equipment Allocation], which we consider ridiculously low, the 1983 grant is less than that provided for maintaining the level of this allocation. This somewhat reduces the extent of this swindle [escroquerie], but it does not dispose of it altogether. Local government bodies are also penalized in terms of their access to public credit facilities. Money is becoming too expensive to borrow, and not enough is available. Between 1982 and 1983 4 percent of the volume of the proceeds of Minjoz loans was eliminated. Recent measures taken have reduced by 2 billion francs the total amount of loans extended to local government authorities. It has become a common practice to loan money out at 13, 14, or 15 percent interest over either the short or medium term. Thus, a totally incoherent government has brought local government authorities into a system where a minimum of resources is made available for a maximum level of responsibilities. These responsibilities are formidable, and to deal with them, local government authorities will have to increase taxes on a massive scale or will have to limit themselves to current activities without investing in the future. The political consequences of this poorly-conceived policy are foreseeable: it is the whole economy of the nation which will suffer, because each time a commune undertakes 1 million francs worth of public works, it will simultaneously have to maintain or create 10 jobs. Anyone who recalls that local government authorities represent about 37 percent of the national economy will easily draw the appropriate conclusions regarding this deplorable financial policy.

Finally, it is a matter for concern that local government authorities can intervene in the economic field from now on. In particular, they can guarantee or provide surety for loans entered into by third parties under private law. It is hard to imagine how their independence will be protected, and it is easy to think of the risks which they will assume, under the impact of the pressure jointly exerted by companies and banks. The powers of mayors of communes do not include accepting such risks. It is a curious thing, to say the least, that it is not the banks which are handling this economic challenge, although they now have been nationalized.

In a definitive sense, socialist decentralization--warped by its animus against the central government, creating a slave-like relationship in the mechanisms it has established--is a failure. Even worse, it is a distraction. Although it is resented at the local level, the failure of the decentralization program has not yet been fully appreciated by all of the new political leaders in the departments and regions. The principles of a new decentralization program must be totally reconsidered. The unity of France cannot be maintained by means of a rebirth of regional constituencies. A regionally based counter-power will operate very quickly against the political power of France. As Senator Cluzel indicated very pertinently in the evaluation of regionalization which he presented before the

Academie des Sciences Morales et Politiques [Academy of moral and Political Sciences]: "Rather than build up the regions in this way and turn them into a fourth level of government, it would no doubt have been preferable to help the elected departmental representatives to join forces. Moreover, they only asked for an opportunity to join in establishing regional units able to meet existing needs while avoiding bureaucratic red tape and excessive costs." In the area of local government, as in so many others, the socialist government has acted in an irresponsible, incoherent, overly dramatic way. The lesson will come out clearly, when the verdict of the ballot boxes will have put an end to this tragic socialist experiment: you cannot govern a state like France with dogmatic party members but rather with statesmen. To those who doubt the failure of this policy of decentralization, we submit these words of Michel Jobert, former minister of state, to the Grand Jury of RTL [Radio-télévision Luxembourg] on 5 June: "We are on the eve of an economic failure which we do not anticipate. From the economic point of view I ask myself whether we are not even in a situation comparable to what we experienced in 1940, for example."

"In my view the French people will soon have lost one-quarter of their living standards. At present it is a fact that public opinion does not support the actions of the government. Consequently, there is no more economic confidence in the economy of the country."

The former minister of state has done well to turn his attention elsewhere. However, his judgment is still pertinent.

5176

55: 5519/96

PROGRESSIVE PARTY CHIEF HAGEN WANTS N-WEAPONS, U.S. TROOPS

Helsinki HUFVUDSTADSBLADET in Swedish 22 Oct 83 p 11

[Article by Rafael Paro]

[Text] Oslo--Carl I. Hagen, 39, leader of the Norwegian Progressive Party, which has the support of around 7 percent of the voters, wants tactical nuclear weapons in Norway. He also wants either 600 or 3,000 American soldiers--the figures are not all that important--in Norway to strengthen the impression that Norway would really get help from the western alliance.

"We do not talk of the Soviet Union as the potential enemy but as the enemy," Hagen said to further stress his party's extreme position in the Norwegian party spectrum.

The Progressive Party is the continuation of the deceased Anders Lange's "party of discontent" which participated in elections in the 1970's with varying degrees of success.

In the 1979 municipal election, the party received only 2.5 percent of the votes. By 1981, in the Storting election, Hagen had stepped up the organizational effort. The party got 4.5 percent of the votes and four Storting representatives.

The favorable climate continued in the municipal and county elections this September: 6.3 percent of the votes and strong positions in large districts. For example, in Bergen the Progressive Party is the third largest party.

The Gallup figures for October indicate a continued upward trend. One poll gave the party 8 percent. But Hagen himself says he does not believe the figure is higher than 7 percent.

But the growing support must be met with a more intensive expansion of the party apparatus. Many places still do not have local party sections.

When Hagen has to explain what the party stands for politically, he says that they are following the main lines laid down by Adam Smith, the 18th century philosopher and the founder of classical economic theory. They claim to be adherents of oldfashioned liberalism.

A reaction against a too powerful state similar to the reactions against too powerful empires and kingdoms, was the point of departure. Hagen advocates a market economy, free competition and an unlimited right to establish businesses. However one must also recognize responsibility for the sick and the elderly in today's society.

The state should act as a referee, not as a player in the game. The state can be responsible for seeing that things get done, but it should not build roads itself, for example; this kind of work should be done by private contractors.

The chairman of the Progressive Party feels that speaking plainly is a virtue. "While others call themselves nonsocialists, we call our party an anti-socialist party," Hagen emphasized.

In contrast to his fundamental principles, Hagen does not want a professional army, but universal conscription that includes women--either in the armed forces or in rest homes, for example. All young people should devote a year of their lives to society on the same terms.

The point of departure must be a strong defense, one that is tied to NATO. The Progressive Party wants to change the Norwegian base policy.

"We want foreign troops here even in peacetime. We realize that this is a very sensitive issue. We do not want 10 or 20 men, we want 2-3,000 in order to reinforce the Soviet belief that we will receive help from the United States and England if there is an attack," Carl Hagen explained.

If American or English soldiers die during the first hours of a war, it would be easier for the American and English governments to send in their reinforcements.

"We are not talking about a potential enemy. We are talking about the Soviet Union," Hagen made it clear.

He does not believe the Soviet Union intends to attack the West as long as the West has a strong defense and the price of an attack would be too great. The Soviet Union must be convinced that an attack on Norway would also be regarded as an attack on the United States and England. But at the moment the Soviet Union can be sure that no western help would come if Norway is attacked.

"We have said that we cannot exclude the possibility that the Soviet Union could attack Norway through Finland and Sweden or across the Baltic Sea and through Sweden. We are not relying on Finland and Sweden. Experience has taught us that we must be prepared for the unexpected.

"If we assume that we can forget about our border with Sweden and say that the Soviet Union cannot come through Sweden and Finland, we can be sure that this is what will happen.

"It would take tough Finnish and Swedish governments to decide to send thousands of men to their deaths resisting the enormous Soviet army.

"We cannot afford to depend on other countries. We have no control over them. We can only count on ourselves," said Hagen.

In its program the party says that the forces now in North Norway should have access to the same weapons the Soviet Union has on its side of the border.

"In plain language," Hagen said, "this means that when we know that the Soviet Union has tactical nuclear weapons on the Kola peninsula, we should have the same thing. The only target for the Soviet tactical short-range weapons is North Norway, unless it is northern Sweden or Finland. If the Soviet Union has tactical weapons aimed at North Norway in peacetime, we should have the same capacity."

Hagen made it clear that he wants tactical nuclear weapons for North Norway now.

"We should have the same weapons as the Soviet Union and they should be under Norwegian control. It is not the Americans who should have them."

Hagen said concerning immigration policy that immigrants who have entered the country legally should receive equal treatment. However they should not demand education in their own language. That is something they must take care of themselves.

Since immigrants should have the same rights as Norwegians, Norway should introduce a freeze on immigration, for there are hundreds of millions of people waiting to come into Norway if the borders are opened up with no restrictions on immigration.

For future immigration he suggested a model under which immigrants would sign a 6-month work contract. Both sides would know in advance that this was only for 6 months. If the labor is not needed, the workers would be sent home after half a year.

All Others Say No

The Progressive Party is an extreme right-wing party. Chairman Carl I. Hagen's pronouncements on security policy have no support in any other

Norwegian party. This was made clear by Guttorm Hansen, Labor Party veteran and former president of Storting.

"The Norwegian restrictions on foreign weapons and troops are a purely national Norwegian interest. We are not saying this is for the sake of Finland or Sweden," Hansen pointed out. "It is simply a question of reducing tension in this area."

A spokesman for Prime Minister Kare Willoch's nonsocialist government also clearly rejected Hagen's standpoints. It reflects the fact that the Progressives do not trust the United States when they say they want American soldiers located in Norway even in peacetime.

The Conservatives stressed that they rely 100 percent on U.S. willingness to live up to its promise in the event of a crisis. Norway's freedom is as important to the United States as it is to Norwegians. No "stockpiling" of American soldiers is required.

With regard to the stockpiled heavy American military materiel, it was pointed out that some of the artillery can be used to fire tactical nuclear warheads. But such warheads are not permitted in Norway during peacetime.

According to Conservative Party chairman Jo Benkow, Hagen could never influence the Conservative Party's foreign and security policy.

Johan J. Jakobsen of the Center Party, who is minister of transport, also categorically rejected Hagen's demand for NATO troops and tactical nuclear weapons. Norway does not allow nuclear weapons or foreign bases inside its boundaries.

"The base and weapons policy will remain intact as long as the Center Party and Christian People's Party are part of the government," Jakobsen stressed. At the same time he emphasized that his party unanimously supports NATO membership, although there is disagreement in the Center Party Storting group about deployment of the new American medium-range missiles in Europe.

Spokesmen for the big Norwegian parties also rejected the doubts Hagen expressed about Finnish and Swedish neutrality.

While observing that the Soviet Union had also expressed doubt about Swedish neutrality, Guttorm Hansen said that he did not question either Finland's or Sweden's neutrality. One cannot discuss the ability to safeguard neutrality until it comes to the test. But there is no mistaking the political determination.

But according to Hansen, we can see that Sweden has entered a difficult strategic situation. The submarine interludes can only mean that Sweden has become more strategically interesting than it was before. The only

conceivable reason for the incursions is to try to make Sweden adopt as neutral a position as possible. This is a kind of preventive measure to force Sweden to be as cautious as possible and safeguard its neutrality.

According to a spokesman for the Norwegian government, there appear to be signs that the Soviet Union has realized that it is losing some good will in Sweden as a result of the incursions.

6578

CSO: 3650/35

FIRST POST-ELECTION POLL INDICATES RISE FOR CONSERVATIVES

Oslo AFTENPOSTEN in Norwegian 22 Oct 83 p 3

[Article by Eivind G. Karlsen]

[Text] Some see it as a bright spot for the beleaguered Conservative Party: 27.8 percent in the Gallup Political Barometer for September, i.e. 1.4 percent above this year's election results. But this opinion poll--which also indicated advances for the Labor Party (0.8 percent) and the Progressive Party (1.8 percent) over the August figures--does not reflect Conservative voter reaction to the national budget or the proposed automobile tax.

Norges Markedsdata began the groundwork for this poll 1 week after the municipal and county elections of 12 September and concluded the poll 2 days after the nonsocialist majority government made public its economic plan for 1984. For this reason, the proposed budget had little effect on the September figures. The coalition partners of the Conservative Party (Christian People's Party and Center Party) received approximately the same support as in the elections, although the Center Party was slightly weaker.

The percentages received by each party in the opinion poll, which are weighed against their support in the 1981 parliamentary elections, are as follows (August figures in parentheses):

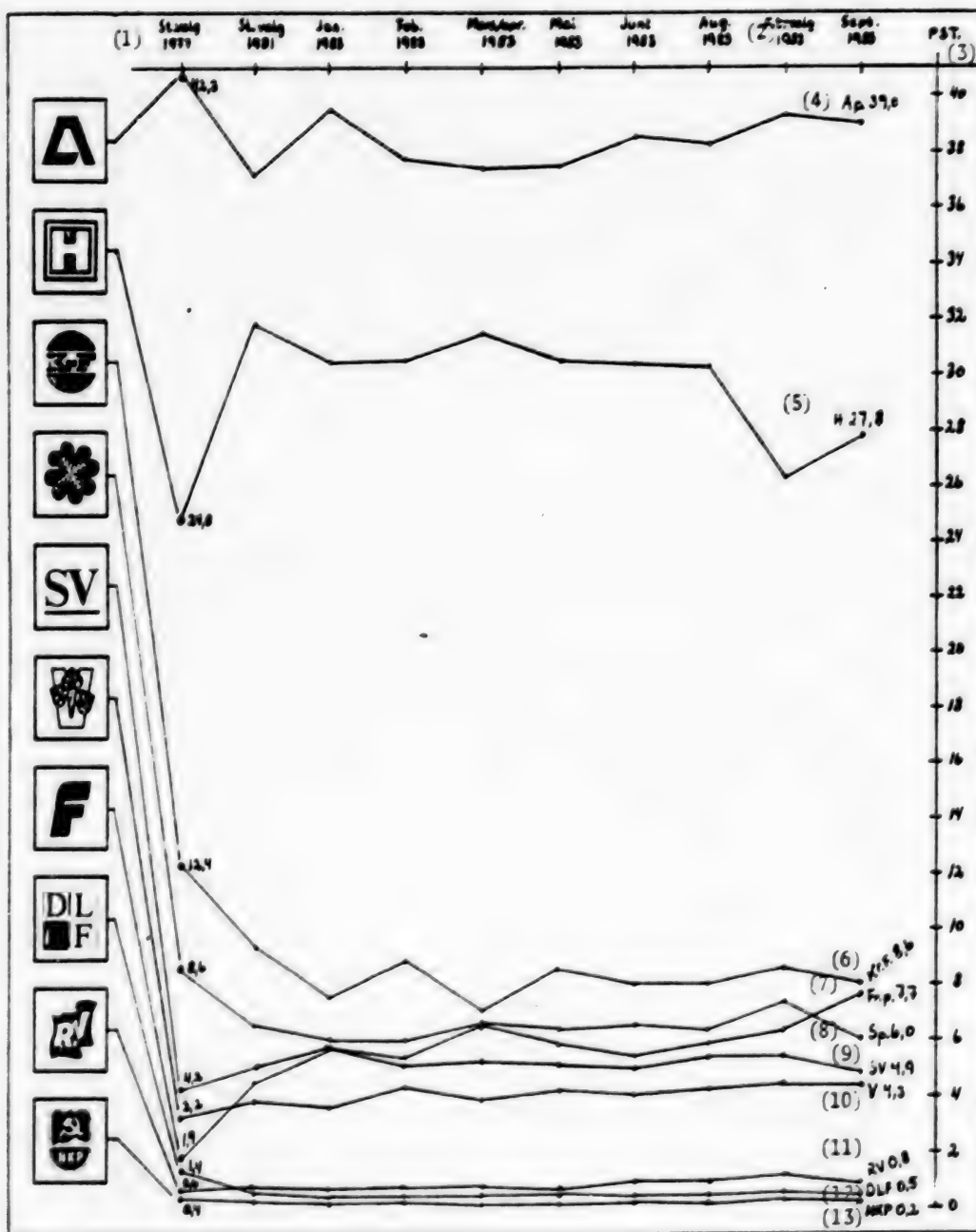
Red Election Alliance 0.8 (0.9), Labor Party 39.0 (38.2), Norwegian Communist Party 0.2 (0.2), Socialist Left Party 4.9 (5.4), Progressive Party 7.7 (5.9), Liberal People's Party 0.5 (0.4), Conservative Party 27.8 (30.2), Christian People's Party 8.6 (8.0), Center Party 6.0 (6.3), Liberal Party 4.3 (4.2), and other parties 0.2 (0.4).

The following results are from the local elections this past fall, also in percent: Red Election Alliance 1.2, Labor Party 38.9, Norwegian Communist Party 0.4, Socialist Left Party 5.3, Progressive Party 6.3, Liberal People's Party 0.7, Conservative Party 26.4, Christian People's Party 8.8, Center Party 7.2, Liberal Party 4.4, and other parties 0.3.

As usual, movement among the various parties was too limited to yield definite conclusions on changes in the relative strength of the parties. If we look

further back to the parliamentary elections 2 years ago, however, we see that the Labor Party has stabilized at about 39 percent, i.e. several percentage points higher than in 1981. It should be noted, however, that Gro Harlem Brundtland's party gained little by its election victory just over 1 month ago. The other winner, Carl I. Hagen, on the other hand, apparently gained even more support after the election further legitimized his party in the eyes of the people. The Progressive Party is clearly above its 1981 level and could stabilize its support somewhere between 6 and 8 percent. In other words, the two smallest coalition parties have about the same support.

The Conservative Party figures in the Gallup Poll are unclear. They reflect uncertainty as to the magnitude of the Conservative Party setback. The figures themselves, however, show a 2.4-percent decline compared to the August poll taken by Norges Markedsdata and a level that is 4 percent below the last parliamentary elections. This indicates that the largest coalition party is at a lower level than its average over the past few years.



Norges Markedsdata conducted interviews for the September Political Barometer from 19 September to 7 October. A total of 1,261 persons were interviewed, 1,067 of whom indicated their party preference. The responses were weighed against the 1981 parliamentary election results. The institute indicated the following margins of error: up to 3 percent for results near 50 percent, about 2 percent for results of 10 to 20 percent, and about 1 percent for lower results. The diagram shows the trends for the various parties since the 1977 elections.

Key:

1. Parliamentary elections
2. Local elections
3. Percent
4. Labor Party
5. Conservative Party
6. Christian People's Party
7. Progressive Party
8. Center Party
9. Socialist Left Party
10. Liberal Party
11. Red Election Alliance
12. Liberal People's Party
13. Norwegian Communist Party

9336

CSO: 3639/18

FINAL OFFICIAL FIGURES FOR LOCAL ELECTIONS ARE ISSUED

Oslo AFTENPOSTEN in Norwegian 22 Oct 83 p 19

[Text] The final election results and, thus, the official figures for this fall's municipal and county elections are now available. In the county elections, 69.9 percent of the qualified voters participated, compared to 71.1 percent in 1979 and 82 percent in the intervening parliamentary elections.

The results of the 1983 county elections are as follows (The figures below show, from the left, the total number of votes, the percentage of votes, the change since the 1979 county elections, and the change since the 1981 parliamentary elections):

Labor Party	842,532	38.9	2.9	1.7
Conservative Party	571,042	26.4	-3.5	-5.3
Christian People's Party	189,798	8.8	-1.4	-0.6
Center Party	156,327	7.2	-1.4	0.6
Socialist Left Party	115,490	5.3	0.9	0.4
Progressive Party	136,727	6.3	3.8	1.8
Liberal Party	94,742	4.4	-0.9	0.5
Red Election Alliance	26,152	1.2	0.4	0.5
Liberal People's Party	15,889	0.7	-0.6	0.2
Norwegian Communist Party	8,130	0.4	-0.1	0.1
Other parties	6,985	0.3	-0.3	0.2

There were a total of 2,163,814 votes.

9336

CSO: 3639/18

POLL FINDS THAT LABOR PARTY HAS MOST LOYAL SUPPORTERS

Oslo AFTENPOSTEN in Norwegian 21 Oct 83 p 3

[Article by Thorleif Andreassen]

[Text] Norwegian voters are in a state of flux. Only 65 percent of those who voted in the last parliamentary elections know with certainty that they would vote for the same party if parliamentary elections were held tomorrow. Twenty percent are uncertain which party they would vote for. Seven percent would perhaps vote for a different party. Five percent have already decided to vote for a different party, while 3 percent of the voters are undecided. The Labor Party has the greatest voter stability with 86 percent. The Christian People's Party and the Center Party also enjoy stability among their voters, with 81 and 83 percent, respectively, who would continue to vote for these parties.

This was indicated by an opinion poll taken by Norsk Opinionsinstitutt on behalf of AFTENPOSTEN in September. The Liberal Party has the most unsure voters. Only 63 percent answered that they would vote for the Liberal Party again if parliamentary elections were held tomorrow. Sixteen percent would perhaps vote for another party, 13 percent have decided to vote for another party, and 7 percent of the Liberal Party voters are unsure of their party preference.

The poll also reflected low stability among Progressive Party voters following the last parliamentary elections. Carl I. Hagen can now count on 65 percent of his voters. Eleven percent would perhaps vote for another party, 15 percent have already decided to change parties, and 8 percent answered that they were uncertain.

According to the opinion poll, the Conservative Party would retain 75 percent of those who voted for the Conservatives in 1981, 8 percent said they would perhaps vote for another party, a similar number expressed that they were sure they would vote for another party, 8 percent were uncertain, and 1 percent would not vote if parliamentary elections were held tomorrow.

The Socialist Left Party could count on only 69 percent of its previous voters. Twenty percent answered that they would perhaps vote for another party,

6 percent had already decided to vote for another party, and 5 percent of the Socialist Left Party voters were uncertain.

Gro Harlem Brundtland can be most satisfied with her party's stability. Thus, 86 percent would vote again for her party, only 3 percent said they would vote for another party, twice that number answered that they would perhaps vote for another party, and 4 percent were uncertain. One percent of the former Labor Party voters would not vote.

Of those who voted for the Christian People's Party in 1981, 9 percent were uncertain as to whether they would support Kjell Magne Bondevik's party, 2 percent stated that they would perhaps vote for another party, about 8 percent had already decided to vote for another party, and 81 percent said they would continue to vote for the Christian People's Party.

Among Center Party voters, 83 percent would vote for that party again. Seven percent of the voters for Johan J. Jakobsen's party are now uncertain, 5 percent say they would perhaps vote for one of the other parties, and a similar number stated that they would definitely vote for some party other than the Center Party.

The following questions were asked: Did you vote in the 1981 parliamentary elections? If "yes": If parliamentary elections were held tomorrow are you absolutely sure you would vote for the same party, would you consider perhaps voting for another party, would you definitely vote for another party, would you perhaps not vote, or are you uncertain as to what you would do? The percentage of voters for each party in 1981 who are certain they would support the same party if parliamentary elections were held tomorrow is indicated below:

	1983				
	April	May	June	August	September
	%		%	%	%
Labor Party	81	81	82	81	86
Progressive Party	70	63	56	59	65
Conservative Party	79	74	79	72	75
Christian People's Party	86	69	80	70	81
Center Party	79	71	79	73	83
Socialist Left Party	72	71	75	68	69
Liberal Party	49	57	54	39	63

The number of respondents during a given month is as low as 30 for all parties other than the Labor Party and the Conservative Party. For this reason, the margins of error must be considered high.

These figures apply to parliamentary elections.

Relatively few people (4.5 percent) voted for the Progressive Party in 1981. For this reason, the figures for this party are uncertain. It appears, however, that the Progressive Party has lost some of its 1981 voters, but that it has gained many supporters from other parties.

About 1,000 persons were interviewed during the second half of August 1983.

9336

CSO: 3639/18

POLL INDICATES CONSERVATIVES LOSING SUPPORT TO PROGRESSIVES

Conservatives Slide to New Low

Oslo AFTENPOSTEN in Norwegian 5 Nov 83 p 3

[Article by Egil Sundar]

[Text] The Conservative Party is falling rapidly and has now landed at 23.9 percent in an opinion poll undertaken by the Norwegian Opinion Institute for AFTENPOSTEN 10-25 October. The Labor Party continues its advance and now has a support of 41 percent, an increase of 2.3 percent since September. Most remarkable in the meantime is the upswing for the Progressive Party that has made a jump from 6.9 to 9.5 percent and with this stands out as Norway's third largest party. Of those who voted for the Conservatives in 1981, 16 percent say that they would vote for Carl I. Hagen's party if there were a Storting election now.

The Norwegian Opinion Institute's last opinion poll for AFTENPOSTEN shows the most dramatic result registered since the "Conservative wave" began to roll in the 1970's. The strength relationship has changed essentially, not just between the individual parties, but to a great extent also between the two governmental alternatives -- the three nonsocialist cooperating parties on the one side and the Labor Party, with the support of the Socialist Left Party, on the other.

According to the October poll, the present three governing parties, Conservative, Christian People's Party, and the Center Party, have a combined support of 38.3 percent. In comparison, the Labor Party and the Socialist Left Party have 46.7 percent together. If this tendency should hold fast until the Storting election in two years, something that is obviously impossible to predict, Carl I. Hagen would be right in his prediction that the Progressive Party can play a decisive role in the question of a socialist or nonsocialist government in 1985. It would again create a situation of enormous complications on the nonsocialist side in Norwegian politics. With a constellation such as indicated here, that is, with the Progressive Party tipping the balance, one can hardly escape the conclusion that the Progressive Party will have to be considered a serious negotiating partner. Otherwise we might also experience

the previously much discussed "Danish conditions," that is, complete parliamentary confusion and consequently the absolutely worst of all imaginable alternatives.

Self Strengthening

The Conservative backslide in this fall's local elections has proved to be a self-strengthening effect, prompted by a national budget that has met the most negative reactions precisely among the Conservative Party's own voters. And as if this were not enough, the government began -- something many thought would not be possible -- its fatal initiative for an increase of the automobile tax. This has brought the Conservative Party organization more difficulties than any one individual issue in recent times. The result is -- as far as it can be seen from the present opinion poll -- more tens of thousands have turned their backs on the Conservative Party. The decline from 26.7 percent in September to 23.9 percent in October is in the highest degree alarming for Willoch's and Benkow's party.

Not Unaffected

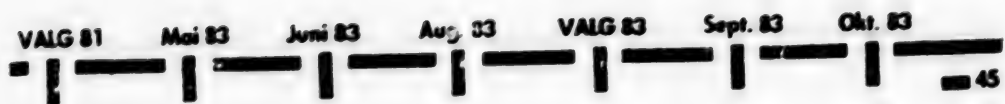
Neither have the other two governmental parties been unaffected by the budget uproar, but there has been no dramatic decline. A 7.5 percent support for the Christian People's Party (a decline of 0.6 percent) and a support of 6.8 percent for the Center Party (a decline of 0.5 percent) are after all things one can live with in difficult times. The Conservative Party is the one that has to take the heavy load. The party is leaking like a waterfall over to the Progressive Party.

It can get even worse if the Conservative Party does not take all possible steps to stop the leakage and to win back the lost voters. The support material to the opinion poll shows that as many as 41 percent of today's Conservative Party voters regard the Progressive Party as the next best party. This percentage has increased from 35 percent since September. Under these conditions, it is probably a poor consolation that 25 percent of the Center Party's voters have the Conservative Party as their next best party, and that the same is true for 14 percent of the Christian People's Party's voters.

No other party has lower voter stability than the Conservative Party: Only 71 percent of today's Conservative Party supporters say that they are sticking to their old party. If one looks at other parties, one sees, for example, that the Labor Party's strong position at the moment is characterized by a very stable voter base (94 percent). This also applies far and away to the Center Party (93 percent).

Demand for Action

The present poll is expected to create the demand from various sectors in the Conservative Party for active, goal-directed action to turn the tide of voters. This is no time to play. Many will find it remarkable that in the time after the election defeat in September not one single significant measure has



(1)



(3)



(4)



Key:

1. Election 1981
2. Labor Party
3. Conservative Party
4. Progressive Party

been taken in the wake of the very critical self-examination. In general, there have only been speeches about a coming offensive that no one so far has seen anything of.

Tax Issues Weigh Most

Oslo AFTENPOSTEN in Norwegian 5 Nov 83 p 3

[Text] "A bad election result, more disappointing polls, but above all a strong reaction to the proposal for an increased automobile tax are now all having their full effect." Thus spoke the Conservative Party's chairman and parliamentary leader, Jo Benkow, in commenting on the present opinion poll. And he added: "Even if more and more people have realized little by little that this year's national budget contains much that is good and correct, the first reactions to the budget have probably strengthened the voter protest we are now experiencing."

"If one is to judge by the reactions in the public debate and by the content of letters, telephone conversations, and meetings, the automobile tax has been the most dominant single factor that has produced by far the greatest and most spontaneous result. I think it would be wise for us to realize," Benkow said, "that the proposal for the increase of the automobile tax is not defensible in the degree it was proposed. As far as the aim of limiting the deficit will allow, the government parties in the Storting, in agreement with the government, have taken the consequences of the criticism and cut the proposal for increase in half.

The other dominating factor the Conservative Party chairman noticed was that many think there is not enough Conservative Party policy and that things are not going fast enough in the right direction.

"The people think there is a hurry, and impatience is great. The widespread wish for more Conservative Party measures is something I share completely," Benkow said. "But again I want to ask for understanding for a party that does not have the majority by itself and must negotiate, argue, and convince to achieve as great a breakthrough as possible for the issues one considers most important. The responsibility for today's situation clearly lies with the leadership. But we will not manage to accomplish our task without the broad engagement of all like-minded supporters."

Benkow stresses: "If I am right that the decline is because the Conservative Party is not doing enough, it would not be a contribution to Conservative Party policy to weaken the party that has as its goal the complete execution of conservative policy.

"Many feel we should be more unyielding and tougher within the nonsocialist coalition, both as far as tax relief and reduction of public expenditures and the struggle against unnecessary regulations are concerned. We have taken note of these opinions.

"But we must also remind ourselves that the alternative to the present coalition government is a government of the Labor Party, more socialism and uncertainty in security policy," Jo Benkow pointed out.

(1) Spørsmål: Hvis De skulle stemme ved stortingsvalg imorgen, hvilket parti ville De stemme på?

		Stor- tings- valget						
		1981	1983					
		%	April	May	June	Aug.	Sept.	Okt.
		%	%	%	%	%	%	%
(2)	A	37,2	36,6	36,7	36,9	37,9	38,7	41,0
(3)	DLF	0,5	0,8	0,4	0,5	0,8	0,2	0,6
(4)	FP	4,5	4,4	5,4	5,3	6,5	6,9	9,5
(5)	H	31,7	32,6	31,8	31,8	30,5	26,7	23,9
(6)	Kr.F.	9,4	9,1	8,8	8,3	7,2	8,2	7,6
(7)	NKP	0,3	0,4	0,3	0,2	0,5	0,6	0,4
(8)	RV	0,7	0,8	0,9	0,7	0,6	0,6	1,0
(9)	S	6,6	6,7	6,4	5,9	6,6	7,3	6,8
(10)	SV	4,9	4,8	5,6	6,0	5,2	5,8	5,7
(11)	V	3,9	3,6	3,7	4,0	4,0	4,6	3,5
(12)	Andre	0,4	0,3	0,1	0,2	0,1	0,4	0,0
Sum:		99,8	100,1	100,1	99,8	99,9	100,0	100,0
A + SV		42,1	41,4	42,3	42,9	43,1	44,5	46,7
H + Kr.F. + S		47,7	48,4	47,0	46,0	44,3	42,2	38,3
A + SV + RV + K		43,1	42,6	43,5	43,8	44,2	45,7	48,1
H + Kr.F. + S + DLF +								
V + FP		56,6	57,2	56,5	55,8	55,6	53,9	51,9

(14)
Tallene angir hvor mange som ville stemme ved et eventuelt stortingsvalg imorgen, av dem som helt sikkert ville stemme. Det er også spurt hvilket parti man stemte på ved stortingsvalget i 1981. Forskjellene mellom de enkelte partiers oppslutning på dette spørsmål og faktisk valgresultat i 1981

er benyttet som velfaktorer.

Tallene er korrigert for kjønn, alder og geografi, slik at fordelingen innen disse grupper er den samme blant de spurte som i befolkningen.

Resultatene er basert på intervjuer med 938

stemmeberettigede i tiden 10.—25. oktober 1983.

Av dem som stemte Høyre i 1981 sier 16% at de ville stemme på Fremskrittspartiet hvis det var stortingsvalg imorgen — d.v.s. at ca. 120 000 Høyrevelgere fra 1981 ville gått over til Fremskrittspartiet hvis det hadde vært stortingsvalg nå.

(15) NORSK OPINIONSINSTITUTT A/S

Key:

1. Question: If you were to vote in a Storting election tomorrow, which party would you vote for?
2. Labor Party
3. Liberal People's Party
4. Progressive Party
5. Conservative Party
6. Christian People's Party
7. Norwegian Communist Party
8. Red Election Alliance
9. Center Party
10. Socialist Left Party
11. Liberal Party
12. Other parties
13. Storting Election
14. The figures show how many would vote in a possible Storting election tomorrow, of those who very definitely will vote. Also asked was which party one voted for in the Storting election of 1981. The difference between the support to the individual parties in this question and the actual election results in 1981 are used as weighting factors.
The figures are corrected for sex, age, and geography in such a way that the distribution within these groups is the same among those polled as in the population.
The results are based on interviews with 938 persons eligible to vote 10-25 October 1983.
Of those who voted for the Conservative Party in 1981, 16 percent say that they would vote for the Progressive Party if there were a Storting election tomorrow -- that is, about 120,000 Conservative Party voters from 1981 would have gone over to the Progressive Party if there had been a Storting election now.
15. Norwegian Opinion Institute, Inc.

Brundtland Comments on Labor Rise

Oslo: Aftenposten in Norwegian 5 Nov 83 p 3

[Text] "I believe that the Labor Party's increase is an expression of a gradually increasing recognition in this country of the need for a completely different offensive policy to ensure employment, growth, and social security," Labor Party leader Gro Harlem Brundtland said. In a comment on the opinion poll, she points out that many today are disturbed today about care for the elderly and the sick, and for the weakening of social security.

Confidence in the alternatives the Labor Party stands for is growing. Many of the voters who in the 1981 election wanted to give the Conservative Party and the nonsocialists a chance to prove themselves are not very impressed at the results. A tripling of unemployment and increased uncertainty for the future

certainly do not make a bright picture. Young people experience today's events perhaps most intensely of all.

The claims that it was possible to carry the welfare state farther, to make a better basis for growth, employment, and social progress, and at the same time to ease taxes greatly for the individual have lost their credibility.

The Conservative Party's message has not held in the meeting with practical reality. The Conservative Party has failed in a test of the connection between doctrine and life.

The strong advance of the Progressive Party is an indication that there is a group of voters that really wants a clear turn to the right and that is now to a great extent going over to the Progressive Party as an alternative, Gro Harlem Brundtland asserted.

Nonsocialist Election Alliance Aired

Oslo AFTENPOSTEN in Norwegian 5 Nov 83 p 3

[Text] The Christian People's Party's Kare Kristiansen has spoken out for a more extensively election-technical cooperation on the nonsocialist side in the Storting election of 1985. The Christian People's Party and the Center Party have long favored the approval of access to an electoral pact [by which two or more parties can combine their votes]. The Conservative Party therefore has the key here, and the party chairman, Jo Benkow, confirmed that the question will be discussed in the near future.

Paper Analyses 'Dramatic Gallup'

Oslo AFTENPOSTEN in Norwegian 7 Nov 83 p 2

[Editorial]

Has the bottom been reached, or will the decline continue for the Conservative Party? This is the big question after the publication of the Norwegian Opinion Institute/AFTENPOSTEN political barometer for October. Reactions to the proposal presented for the national budget and increased automobile tax have let loose a veritable avalanche that comes on the heels of the dramatic rebuff in local elections in September. Since the middle of August, support for the Conservative Party has declined from 30.5 percent to 23.9 percent, according to Norwegian Opinion Institute's measurements. This shows a crisis of confidence and credibility in the relationship between the voters and the party.

If the present tendency gives an indication of the political strength relationship up to the Storting election in 1985, one must be prepared for the Labor Party taking over the government. According to the October figures, the three governing parties, the Conservative, the Christian People's, and the Center parties, a combined support of 38.3 percent, while the Labor Party alone has 41 percent, and the Labor Party plus the Socialist Left make up 46.7 percent

together. Under these conditions the only possibility for a nonsocialist starting majority would lie in the Progressive Party's tipping the scales. On the other hand, this would create a completely new situation in Norwegian politics -- with consequences no one can predict today.

As with most things in this world, political life is also changeable, and we can see no direct reason why one on the nonsocialist side should be filled with a feeling of powerlessness as a result of the changes in the political barometer. We must take this as a report and let the Conservative Party's response be a spur to an extra effort and new constructive initiatives over the whole political area. But this will not come by itself. The Conservative Party must for its part make a start in the political terrain that has changed character in a short period of time and that makes it necessary to create renewed confidence in the party's policy. This presupposes both a political and an organizational armament -- and it requires immediate action. There is no time to lose if one is to prevent further leakage.

Developments in recent weeks can surely form the basis for a series of reflections, and we do not doubt that the Conservative Party's leadership will be able to draw the correct conclusions from the setback. But one really necessary line of thought -- something both Willoch and Benkow have remarked on in their commentaries -- is that voters who are displeased because there is too little Conservative Party policy are contributing to the weakening of the only party that has as its goal the complete execution of conservative policy. One should be able to expect understanding for the fact that a Conservative Party that does not have the majority by itself will have to cooperate with others to push some of its policy through. As long as this is the situation, there is no realistic alternative to nonsocialist cooperation. And if one thinks -- as we do -- that the Conservative Party's positions should have greater effect in practical politics, this is obviously just a means of getting this done, namely to strengthen the Conservative Party.

After two years of nonsocialist leadership, it can be said that the economic decline is about to be turned into a new ascent for the country. We are on the right path. Let us therefore join together on the political path that is the only one that can lead us to the goal.

9124

OSO: 3639/24

PCE CONGRESS TO FOCUS ON UNIFIED ACTION

Madrid EL PAIS in Spanish 28 Oct 83 p 21

/Text/ Madrid--The leaders of the Spanish Communist Party /PCE/ are beginning today what could be considered the last stretch of the preparations for the 11th Party Congress that will be held in mid-December. According to communist source, themselves, this congress will mean the consolidation of the of the current line maintained by the secretary general of the party, Gerardo Iglesias, or a radical turn toward the harder line advocated by Santiago Carrillo and his followers.

Both sectors of the PCE are confident of obtaining favorable results in the renewal of regional positions which will begin this weekend in Galicia and continue during the coming weeks at the regional conferences of Madrid, Valencia (both areas considered to have strong Carrilloist influence), Asturias, Aragon, Extremadura, Andalucia and others, including the Catalan Unified Socialist Party of Catalonia /PSUC/.

This means that when the 11th congress takes place, the party's regional apparatus will have undergone a profound remodeling, which could mean a turnover in the results of the congress, in which the followers of Iglesias and Carrillo, as basic sectors, appear to be inexorably confronted despite certain "tactical rapprochements" of positions on certain points.

Although the meeting of the PCE executive committee today and of the Central Committee next Monday are presented officially in a somewhat generic manner as being devoted to "political discussion," what is certain is that presumably some vital questions for the two majority sectors of the party will be dealt with. The followers of Carrillo think the present leaders appear to have assumed some of the positions which they formerly rejected and which are maintained by the Carrilloists: such as considering that transition toward democracy has not ended, or the holding of a national debate on the advisability of Spain's entry into the EEC.

Furthermore, some of the most recent movements on the international scene are transfusing the neutralist positions preached by the followers of Iglesias toward a sterner criticism of U.S. action and a warmer reception of Andropov's disarmament position. That means an approach toward the doctrine lately advocated by Carrillo.

Nevertheless, the followers of the "official" line remained firm in other positions unacceptable to Carrillo and his followers, such as criticism of the activity of the latter when he was secretary general, admission of those expelled or the radical renovation of the internal statutes.

Many Public Appearances

Although the congress will not admit alternative lists--the delegates will vote for the names included in a single list--both Iglesias and Carrillo have been increasing their public appearances in recent weeks. Yesterday, for the first time in his life, the secretary general of the PCE spoke from the rostrum of Club Siglo XXI /Century XXI/. That could be interpreted as an attempt to advance what will be an image war before congress, from which will come the new central committee which, in turn, will elect the new executive committee. There is no doubt that the majority of members of either of the two sectors in this new central committee will be decisive for the future policy line of the Communist Party.

Nevertheless, both sectors seem convinced that after the congress, the antagonisms will be sweetened and unity will be maintained in the party inasmuch as episodes such as the resignation of the pro-Soviet Ignacio Gallego have only had internal repercussions in the PCE. But much will depend on the results of the coming regional conferences and the influence which these results may have on the internal discussion before the congress.

The course of the private polls that each side says it has and which up to now apparently do not show a significant rise of public preference for either of the leaders will also have much influence.

The present communist leaders seek to avoid at any cost having the PCE "remain anchored in precongress discussion" and having "the party exhaust itself in sterile internal discussions." Today's meeting of the executive committee will seek to take up topics such as the launching of a new anti-NATO campaign or the discussion of a document prepared by the party economic committee analyzing the latest moves of the socialist government. With that, it is hoped that these meetings will not limit themselves to the mere expression of mutual differences.

8711

CSO: 3548/68

ASSESSMENT OF GONZALEZ GOVERNMENT ON ANNIVERSARY

Madrid EL PAIS in Spanish 28 Oct 83 p 10

/Editorial: "First Anniversary"/

/Text/ One year after the sweeping election victory of Felipe Gonzalez, neither the erosion of power, nor the errors, failures and omissions associated with the action of governing seem to have significantly changed the attitudes of Spanish society regarding the political plan which the socialists offered, christened with the name of "change." Many citizens consider an achievement the fact that the general situation of the country has not gotten worse. They retain their confidence based on rational expectations that things will improve in the medium term and reject the alternative offers of the conservative or communist opposition. Terrorism and coupism continue to intimidate the political panorama, unemployment is unabated and the social changes promised during the election campaign are progressing slowly but there is nothing on the horizon for the moment that appears to endanger the hegemony of the team headed by Felipe Gonzalez.

There is no lack of reasonable criticism of the decisions adopted by the ministerial departments and the general line of the executive branch. But today's date does not mark the anniversary of the inauguration of the president but the historic vote in which more than 10 million citizens placed their trust in the Spanish Socialist Workers Party /PSOE/, an old party reconstructed almost from its roots thanks to the imagination of politicians born after the civil war, who succeeded in attuning it to the aspirations and values of the new generations of Spaniards. The socialist victory showed the strength of democratic institutions, which made it possible to transfer power to the Left without the slightest friction of tension. The old quarrel about forms of state and political content that had doctrinally linked the socialists to the republican cause and transformed monarchism into a partisan sectarian label vanished completely when it was shown by facts that parliamentary monarchy was a proper framework for a socialist government and that the PSOE accepted without apprehension the symbolic, arbitrating and moderating function of the crown.

Between 1979 and 1982, the PSOE practically doubled its number of votes and gained the adherence of almost 5 million new voters. Why did so many Spaniards who do not consider themselves socialists--the members of the PSOE are only 1 percent of its voters--support that program of "change" at the polls? The regrettable spectacle of betrayals and partisan rivalries offered by the

Democratic Center Union /UCD/ since the summer of 1980, the infiltration of Fraga men to dynamite the parliamentary group from within, the plot to throw out Adolfo Suarez and the boldness of his successor in the presidency of the government had disqualified the centrists as deserving of public trust. The coup d'etat of 23 February 1981 and the new conspiratorial threat discovered almost on the eve of legislative elections made it desirable to reinforce the power emanating from popular sovereignty in order that the government emerging from the polls would have sufficient social support to carry out its tasks. But the majority of Spaniards, for generational, social and ideological reasons heedless to conservative calls, desired in addition that that new government be made up of people of undisputed democratic character and committed to bringing ethics into public life, reforming the state and modernizing society.

The socialists thus received the mandate of 10 million Spaniards, who were united by many things but who were also inevitably separated by interests and ideas. The struggle against unemployment and the containment of inflation are objectives whose concrete implementation will give rise to social conflicts. The broadening of freedoms and the guarantee of human rights may come into collision with the demands of some sectors unilaterally concerned for the security of the citizenry. The rights of all to education and the aspiration of the religious orders to receive free financing for their colleges will produce friction as long as there is a budget deficit and the public sector of education does not block the holes that exist today on the school map. The list of examples could be endless. Very well, the dual challenge which every democratic power faces is to carry out its program and at the same time maintain the support of the sectors that gave it their votes.

The logic of reformism, which is peculiar to democratic socialism, compels the parliamentary majority of Felip Gonzalez to carry out tasks that outside of politics would be considered crazy attempts to square the circle. But that impossible effort to please everybody, which implies not fully pleasing anyone, constitutes the keystone of the action of a government that emerges from the popular will, revalidated periodically at the polls, which has to deal with the existence of constitutional brakes and limits to its power and which has to reconcile counterposing wills, including among its own electorate.

That logic of reformism, the guarantee of the stability and permanence of democratic institutions confronts the resistance of reality, so much more serious and numerous in a situation of economic crisis as well as in a country with weak traditions of tolerance, a society vitiated by corporativism and a state whose functional inefficiency is combined with wasteful structural hypertrophy. Democratic socialism achieved its great historical successes in postwar Europe when economic prosperity permitted a fiscal policy of redistribution of income and the strengthening of the public sector. But the near-bankruptcy of the treasury stretches to the maximum the margin of maneuver of the government, which at the time of assigning scarce funds, sees itself obliged to elect between equally urgent and justified claims.

The socialists will also have to demonstrate with deeds both in the central administration and in the autonomous and local areas the sincerity of its intent to bring ethics into public office and cut the waste in current spending.

In this regard, there is no lack of disturbing symptoms that the traditional and sumptuary style of governing has been continued by the holders of some high and middle positions of the socialist administration. Many citizens will be in agreement in stating that the most disappointing gap in these months of government has been the absence of an ambitious plan to structurally reform the public administration and the excessive complacency with which some people theoretically committed to the "change" have been installed in the state apparatus. But it is not the anniversary of the government but of the elections that is being marked today. And even its most bitter opponents have to recognize the great amount of social power and citizen support that the PSOE continues to have in this country 1 year after that 28 October.

8711

CSO: 3548/68

FOREIGN MINISTER BODSTROM ON SOVIET TIES, DEFENSE STRENGTH

Helsinki HUFVUDSTADSBLADET in Swedish 22 Oct 83 pp 12, 13

[Interview with Swedish Foreign Minister Lennart Bodstrom by Larserik Haggman; date and place not given]

[Text] Stockholm--According to Swedish Foreign Minister Lennart Bodstrom there would be a "very quick regrouping around a major common line" if Sweden's freedom and sovereignty are endangered. Bodstrom stressed time after time to HUFVUDSTADSBLADET that Sweden has no intention of changing its foreign policy, that this policy has not been changed. "Our line remains absolutely firm," Bodstrom assured us.

[Question] Do you consider that the security policy situation in the Nordic region has changed as far as Sweden is concerned?

[Answer] The security policy situation is always changing. In a period when there are many reports on submarines, for example, the situation is different than it is in a calm period. But it is essential to bear in mind that this is not anything that lies outside the framework for Sweden's security policy. It does not lead to any changes in our foreign policy behavior.

The foreign minister emphasized in particular that Sweden's freedom from alliances in peacetime and its intention to remain neutral in wartime remained unchanged. However Bodstrom said the situation could lead to changed defense dispositions.

[Bodstrom] It has been established that the defense system has the wrong orientation, leading to a decline in naval forces, thus making it hard to combat submarines to an adequate extent.

According to Bodstrom Sweden will change that. Partly through allocating extra funds. Partly--if need be--through reallocations within the defense framework.

[Bodstrom] In view of the large standing forces there are in Europe, not to mention the nuclear arms arsenal, I believe that the situation in the Nordic region is still calm and stable.

[Question] Does this situation make any special demands on Sweden?

[Answer] We are falling back on the policy that was formed during the postwar period. We will not deviate from nonalliance, even under hard external pressure. I will not say that we have been subject to pressure this time. All these reports on submarines in Swedish waters have created some uneasiness. However this is no reason to change our policy.

Bodstrom stressed in particular how important it is that neighboring lands are quite aware of th

[Question] Can one t of a new challenge? Something that did not exist previously?

[Answer] We have not had this kind of event and report before. Not to this extent, at any rate.

According to Bodstrom most reports do not have a reliable foundation.

[Bodstrom] But there have been reports in which the Supreme Commander of the Armed Forces said it was very probable that submarines had appeared in Swedish waters.

The foreign minister pointed to counter measures. Military officers now have permission to use effective firepower if there is reason to suspect the presence of a submarine in inner Swedish waters.

[Bodstrom] In several cases, depth charges have been used. If a submarine had been hit, the consequences would have been very grave. But we took that risk anyway.

[Question] What would it involve if we suddenly sank a submarine?

[Answer] That is impossible to predict. We should be glad that the depth charges have not hit any subs. But they are still aimed at what we believe to be submarines.

In Sweden Soviet submarines have been mentioned only in some cases, but the general opinion is clear and unmistakable.

[Bodstrom] The government has been careful to distinguish among three different phenomena.

The foreign minister pointed to the simplest case--the submarine that ran aground in Karlskrona archipelago. There was no need to find proof.

The second example given by Bodstrom was the events in Harsfjarden in the fall of 1982. There was no "proof in the technical sense" then, but there was "a large number of indications" that all pointed in the same direction. The submarine commission said then that in its view, the submarines were Soviet.

This report led to a protest to the Soviet Union by the government.

Bodstrom referred to a third phase. The large number of reports during 1983.

[Bodstrom] The majority turned out to have another explanation, but there were some reports of which the Supreme Commander said that there was a good probability that they did indicate the presence of submarines. Since there was no certainty that subs really were present--to say nothing of the question of their nationality--the government refrained from making any statement.

Bodstrom said that it is clear, however, that this kind of report creates unrest and that the government views them seriously.

[Question] What is the state of Swedish-Soviet relations? Do you view the current situation as a crisis in these relations?

[Answer] No, it is a diplomatic custom to reduce exchanges at the ministerial level as a form of protest. This occurred after the events in southern Sweden in the fall of 1981.

A little over a year later we were on our way toward beginning to restore these exchanges. When the submarine commission's report was ready, we delayed these steps.

[Question] When do you think the contacts might be resumed?

[Answer] That is something the government will have to try out when it seems appropriate. Such a decision--when it comes--will be preceded by contacts with the parties represented on the Foreign Policy Committee.

[Question] With respect to the Soviet Union as a factor in Swedish foreign policy--has there been any change?

[Answer] There have been problems in the past on certain occasions.

Bodstrom referred to the shooting down of a Swedish airplane in the summer of 1952 and indications of a similar incident just before that. According to him these events put a lot of pressure on relations.

The Swedish foreign minister also called the events in Hungary and Czechoslovakia very troublesome, "even though they were not directed against Sweden."

[Question] Then you do not view the Soviet Union's role in a new light today?

[Answer] Of course we want to have good, stable neighborly relations. We have said that. That is also the reply we get from the Soviet Union when the matter is brought up in various contacts that have occurred.

[Question] Do you view the Soviet "signals" that have been received as a message or as pressure or as something else?

[Answer] We are sticking first and foremost to the official statements, primarily from our regular diplomatic contacts. All that has happened there is the expression of a desire for correct and friendly relations.

[Question] Are you now experiencing any form of outside pressure on the classic Swedish foreign policy line?

[Answer] The government cannot fail to view the reports of submarines in Swedish waters seriously, even if we do not regard this as being external military or political pressure.

For the sake of credibility in Swedish security policy it is necessary to avoid creating the impression that we will tolerate foreign ships--or airplanes--in Swedish territory.

[Question] Is there any internal pressure on foreign policy? The debate has been heated.

[Answer] The Conservatives are welcome to be actively critical.

Bodstrom referred to earlier occasions when the Conservatives have attacked Social Democratic foreign policy. According to him the outcome has always been that "after a period of great commotion, they have stopped their activities."

[Bodstrom] This later applied to relations with NATO and the question of joining EEC.

[Question] Is something similar taking place now? Do you feel you are under this kind of attack?

[Answer] The government feels it has broad support among the people for its policy. According to opinion polls that have been conducted, confidence is great.

[Question] Has the discussion affected the chances for maintaining the policy of neutrality and/or defense capacity?

[Answer] It is important that the alliance-free policy is supported by broad public opinion. If the margin was very small, foreign observers

might think that a change in the composition of the Riksdag could lead to a change in foreign policy. Steps might then be taken with this in mind.

The foreign minister referred to the foreign policy debate in Riksdag this spring when the government declaration avoided almost any criticism. Instead it was dominated by whether or not the government was influenced by German politicians or the corridor initiative and the appropriateness of inviting Yasser Arafat to Sweden.

[Bodstrom] This cannot be said to have affected the major line of Swedish foreign policy, but is more an expression of something that used to be labeled domestic policy.

[Question] The role of defense then? The defense policy prerequisites for holding the line?

[Answer] Sweden has a defense system that is substantial for a country our size. The fact that we take defense seriously should also be apparent from the work we put in on economic and civil defense.

[Question] Does the current situation call for increased funding?

[Answer] I do not think one should count on any substantial increases, unless there is a radical deterioration in the foreign policy situation.

[Question] You do not expect anything like that?

[Answer] No, not anything we feel is directed against us.

[Question] With reference to the central point of Swedish security policy, can one talk about a shift from defense to foreign policy in comparison to the past?

[Answer] I think of Swedish security policy in such a way that it primarily gives the people of Sweden a feeling of security if the government pursues a policy that leads no country to regard Sweden as being either a probable enemy or a probable ally in a future war.

The task of the defense effort is to complement this foreign policy line and make it clear that we will counter any attempt to intrude on Swedish territory and use it for military operations against any other power.

Bodstrom feels that Swedish defense is strong enough to be credible. The relatively large amounts of money that are put into defense would not go for that purpose, in his opinion, if the defense system did not fulfill a real function.

[Question] You have talked of a rapprochement between Swedish and Finnish foreign policy.

[Answer] Sweden and Finland are two neutral states. I have been very irritated by suggestions that Finland is not prepared to maintain its national sovereignty and prevent border violations of any kind to the same extent Sweden is.

Bodstrom thinks it is quite clear that Finland will not allow any other state to operate with combat forces on its territory or violate its sovereignty in other ways.

The foreign minister also mentioned similarities in living patterns, democratic forms and other things. These make it quite natural for the two countries to have the same viewpoints.

[Question] When did this become clearer, in your view? People were still drawing a distinction in the 1950's and 1960's.

[Answer] I have not found any reason to speak out in the debate except when I have detected some Swedish expressions of distrust concerning Finland's determination and capacity. I have then tried to stress the confidence in Finland that Sweden has and has every reason to have.

Many observers talk of a different emphasis in today's foreign policy in Sweden in contrast to the early 1970's. It has been said that security issues have now replaced the policy of solidarity.

Bodstrom did not entirely share that interpretation. He pointed to the traditions of the labor movement, the demands for equality in his homeland and an international extension of these.

[Bodstrom] Purely technical developments. And general political developments. They bind the nations of the world together, also in alliances with military obligations. This means that a conflict a great distance away from us can quickly spread to include us. A conflict initiated somewhere else can have the most frightful consequences in Europe.

According to the foreign minister this would lead to Swedish involvement in activity to reduce the risk of armed violence and to limit proliferation of the damage if things go badly.

[Question] Then you see no change?

Bodstrom replied by pointing out that Sweden had rejected nuclear arms even though it had the expertise required.

[Answer] Today there are few people who can allow themselves to rejoice that we had this dispute and made the decision we did. We have had foreign policy conflicts in our country before and the somewhat livelier debate now gives no reason to believe that the situation is not under control.

Bodstrom particularly wanted to stress that "there could be a very rapid regrouping on a common basic line if the need presents itself."

[Question] What could lead to this need?

[Answer] If Sweden is exposed to an immediate threat to its freedom and its sovereignty.

6578

CSO: 3650/35

MOOD IN SWEDEN AFTER SUB INCURSIONS: DISTRUST OF USSR

Helsinki HUFVUDSTADSBLADET in Swedish 22 Oct 83 p 13

[Commentary by Larserik Haggman]

[Text] Moral indignation and uncertainty about the appropriate steps to take. That is the impression one gets of the mood today among decision-makers and experts on the matter in Stockholm. At the same time one can note a clear increase in defense enthusiasm among draftees and a growing tendency to see the Soviet Union as the biggest threat to Sweden's security--phenomena that are not entirely positive for those who have the responsibility.

For decade after decade, Swedes have been accustomed to the fact that Sweden pursues its own policy and stands outside all security policy speculations, not to mention armed conflicts and major wars even when they come quite close. This policy has kept Sweden out of two world wars.

People in Sweden are still quick to refer to World War II and Sweden's role then. Sweden was subject to very strong pressures and was allowed to yield. But only step by step and never on vital points. First it was the question of German health-care personnel for occupied Norway. Then it was arms transports. And finally, military units.

The conclusion drawn by Sweden after the war was that the line should be held firmly but that the nation's own defense potential should be expanded. That is when the definition of Swedish foreign policy was laid down--freedom from alliances in peacetime aimed at neutrality in wartime.

This policy was to be based on or supported by a strong defense. In the 1950's, Sweden was in fourth place internationally with respect to defense.

Against that background, the question of using nuclear weapons became very relevant and led to a conflict over foreign policy. But this conflict was conducted within the framework of freedom from alliances, which had not been the case in connection with the showdown earlier over the creation of NATO.

The nuclear arms decision has since won general approval and is no longer questioned. On the expert level, the conclusion now is that the decision to reject nuclear weapons for Sweden was dictated by two considerations. One was a security policy reason: Sweden will not be a target in a war--at least not so easily. The other reason has to do with proliferation policy: the number of powers with nuclear weapons and thus the associated risks can be held down--at least to some extent.

Today Swedish defense can mobilize around 850,000 men. The conscription period varies from 7.5 to 15 months. The general public views defense as being very strong. That view is also shared by experts on military policy, although they admit there is some justification in the references to office-hours defense, between 9 in the morning and 5 o'clock at night.

Against that background, the submarine incidents came as a severe shock, not just for public opinion but apparently also for the experts and the decision-makers. This was true even though there were some allusions to reports of incursions in earlier years as well.

Although the government has been careful to distinguish between different types of incident and report, the mass media saw to it that the general public opinion is quite clear: the submarines are viewed as being Soviet.

Among experts of various kinds in Stockholm, opinions seem almost as clear. However evaluations of the intensiveness of the violations vary sharply.

Common to most people, however, seems to be an obvious confusion. Why, why is this being done to Sweden? That is what the average person seems to be asking. And even at a very high political level, people in Sweden today seem to regard both the violations and the other signals that have reached Sweden as constituting a kind of "unjust treatment."

The reasoning seems to go like this: Sweden has pursued a balanced policy. Sweden has also been restrained in its criticism of the Soviet Union. Why has Sweden been treated like this?

This moral indignation leads to two questions. What is the reason for the submarine incursions? What can or should Sweden do about them?

With regard to the submarine incursions, there are many theories. Everything from studies of the terrain and routine supervision of defense capability to larger operations and the landing of foreign agents. There have even been reports in the daily press of Soviet troops who have been taught to speak Swedish fluently and to live the way Swedes do.

The concentration on Sweden in the evaluations and theories is quite obvious. But some experts would view the issue in a larger context. "If one looks at the matter from a global and military strategy point of view, the reasons are quite clear."

An observer familiar with the subject was bold enough to say, "They would be stupid if they didn't make an attempt."

The reasoning is based on the assumption that Soviet foreign policy and defense policy is defensive by nature, but obviously sensitive to threats and the possibility of threats. The Karelian isthmus as a factor of uncertainty has been replaced at various stages by all of northwestern Europe during the period from the 1930's up to now.

This analysis would make reconnaissance efforts quite natural. The reports from the Sundsvall area have also been explained in terms of the stockpiling of weapons in Trondelag, Norway, instead of further to the north.

Both defense and foreign policy observers in Stockholm also point generally to the "naval element." By this they mean the Soviet Union's expanded fleet and its possibilities in combination with such things as missiles.

The situation in the Norwegian Sea was described by a knowledgeable person as much more advantageous for the Soviet Union today than it was before. Since the line from England to Iceland is central today, it is hard to understand what role Sweden plays, according to another person.

It seems quite obvious that people in Swedish foreign and defense circles have concentrated mainly on the submarine incidents. These seem to be the subject of a great deal of analysis.

But many observers seem puzzled by the political criticism that has been voiced against Sweden by the Soviets. To the extent this is discussed and registered at all, people seem to be mystified. The arguments are countered point by point.

Thus they explain that dependence on the United States has not increased even though the planned new JAS [fighter-bomber-reconnaissance] airplane includes advanced electronics and an engine housing from the West. By structuring the purchase so that spare parts and service can be obtained in Sweden, no dependence is created, they say.

In the same way, criticism of visits by NATO pilots is countered by saying that this occurs within the framework of Nordic cooperation and involves aviation safety and the utilization of reserve air strips.

In other words it is typical that the reaction is to individual elements of the criticism. They are answered point by point. There is little comment on the signals as such and what they might represent.

The moral indignation seems obvious. Above all the signals about the need for an active policy of neutrality seem to be regarded as unfair. The Social Democrats feel this is what they are pursuing already. Favorite examples cited are the Nordic zone and the European corridor.

When asked how the signals, e.g. the criticism, should be regarded in combination with such things as the Soviet move to make the Baltic Sea free of nuclear weapons in conjunction with a Nordic zone, people say these things are quite separate from each other. In many quarters the zone move is also regarded as not being quite to the taste of the Soviet Union.

It seems obvious that there is a clear irritation in the government over the present situation. Some uneasiness can be noted with regard to relations with the Soviet Union. But one observer characterized the situation as a kind of balancing act for the Palme government.

On the one hand the government has an obvious interest in getting out of the present situation in relations with the East. On the other the government must take the quite plain public opinion into account. Especially since many individual Conservative politicians as well as SVENSKA DAG-BLADET in particular have--to quote one observer--"been watching the government and especially Palme like hawks."

This balancing act has been expressed in great caution in public statements. This is apparent in the assessment of the submarine reports. In the efforts to achieve balance in criticizing the superpowers on international issues. And in the constantly recurring external assurances: the line remains firm, the situation is stable. Combined with "the government is following with concern" or "views seriously" for domestic consumption.

No observer in Stockholm seems to expect any special moves to be made. Either toward the Soviet Union directly or with regard to arms reduction, for example. However the view is widely held that the government intends to make unofficial contacts with the East. This could occur in the context of the arms reduction meeting in Stockholm or earlier, during the preliminary meeting in Helsinki.

6578

CSO: 3650/35

KOHEN ON FOREIGN POLICY DILEMMAS FACING NEW GOVERNMENT

Istanbul MILLIYET in Turkish 27 Oct 83 p 2

["World View" column by Sami Kohen: "Are They Ready?"]

[Text] The party--and the government--that will take over the reins of state after the 6 November elections will have a difficult job to do both at home and abroad.

The new administration will face a mountain of foreign problems as soon as it takes office.

Cyprus heads this list of problems. TFSC [Turkish Federated State of Cyprus] President Rauf Denktas seems determined to take steps toward independence if he does not get a positive response from the Greek Cypriot side on the summit issue. The Turkish Cypriot leader really wanted to declare independence before the elections in Turkey. Because he was worried that Ankara would "shelve" the Cyprus issue for a while longer because of the higher priority that would be given to efforts to form a new government and economic and other domestic issues after the elections. However, Denktas has postponed his decision taking into account the conditions of the Motherland and the advice given to him on this issue. However, the issue of TFSC's independence will undoubtedly be an agenda item after 6 November.

In the Middle East, the steadily escalating Iran-Iraq war on the one hand and the very grave situation in Lebanon on the other are the leading problems that Turkey must watch very carefully after the elections. The Iran-Iraq war which could not be ended despite intensive efforts by several countries including Turkey threatens blocking the Persian Gulf which may lead to a resort to force by regional and outside powers. Meanwhile, in Lebanon important developments and new interventions and retaliations are expected in the coming days and weeks in the wake of the recent attacks on U.S. and French soldiers. This may similarly drive regional and outside powers toward a hotter war and, furthermore, force countries like Turkey which so far have remained onlookers at the developments to take clearer stances and to commit themselves to certain engagements.

By the time the new government takes office in Ankara the "war of words" between the two blocs on the missile issue will have intensified and will even have led to certain actions--such as the deployment of new Soviet missiles in East

Germany and Czechoslovakia this week. Turkey may be forced to take a clear stance in the face of strained relations between NATO and the Warsaw Pact and even a new cold war.

These are the major urgent problems that may force Turkish diplomacy to take certain decisions beginning in November. Naturally, there are also other problems to be considered: Turkish-Greek disputes... The inability of the U.S. administration to increase military assistance to Turkey as a result of the stance of the Congress... The issue of whether the Reagan administration will take practical measures to counter this situation... Problems that will arise in the implementation of Turkey's defense program if the assistance provided is too little... The stance of organizations such as the Council of Europe after the elections... The determination of the direction of Turkey's ties to Europe in the light of this stance...

To all these problems, foreign economic relations must be added. The IMF and large foreign banks are waiting eagerly to see the course Turkey will take after the elections. In the last few months, the IMF has been concerned about the growth of money supply and the rising inflation in Turkey. IMF officials are hoping that the new government to take office after the elections will have the courage to take the steps to reverse these trends. Whether Turkey will get any credit will naturally depend on this issue. The new government, which will take office at a time when the deferred debts will be due for payment soon, will have to sit down with the IMF and other finance organizations and discuss these issues.

Finally, another problem that will keep the new administration busy after the elections will be Armenian activities abroad. On this issue, Ankara may have to reevaluate its relations with countries where Armenian terrorism is being staged and to decide on certain moves. In this connection, another issue that will have to be considered will concern the efforts and the type of "mechanism" that will be needed to promote Turkish causes abroad more effectively and in a different and more credible manner than in the past.

The programs of the parties that are running for office as well as the speeches of the party leaders on television and during rallies unfortunately do not reflect definite and clear views on these problems.

We find it natural that political and economic issues have been more strongly emphasized in this election campaign. But we must sadly state that, outside some exceptions, even on these issues what have been written and said have been very general and obscure. When saying "we will do it", the resources, the methods and the timing of what will be done are generally not clearly identified.

Statements made on foreign policy are even more general and ambiguous. On the other hand, it is a fact that today Turkey has a well-established "national" foreign policy and that there are no differences of opinion over fundamental principles among the existing parties.

But we have specific problems confronting us, definite problems ranging from the declaration of independence of Turkish Cyprus to the situation in Lebanon and American assistance to Turkey.

What are the stances of our parties who today are competing for power on these issues? They will probably not start thinking about these problems after forming a government. Whether they are in the government or in the opposition they must make their stance clear from now.

Have they taken such a stance? We do not know.

We could not tell from their programs and campaign speeches.

We hope that they are well-prepared and that they have definite stances on foreign policy issues.

Because, as we said before, there will be quite a number of developments that will strain the resources of Turkish diplomacy.

Wick

OSD: 3954/50

PROVISIONS OF STATE OF EMERGENCY LAW

Istanbul CUMHURİYET in Turkish 27 Oct 83 p 7

{Text} Ankara--The National Security Council [NSC] has approved the State of Emergency of Law. The law grants far-reaching powers to governors. When a state of emergency is in effect the Council of Ministers will be able to issue decrees with the force of law. Functions and powers related to the implementation of states of emergency will belong to provincial and regional governors. Security forces will be able to open fire on individuals who do not obey orders to give themselves up.

According to the Constitution, at times of natural calamities, dangerous epidemics, severe economic crises and escalating violence, the Council of Ministers can meet under the chairmanship of the President and declare a state of emergency in the entire country or one or more parts of it for a period not exceeding 6 months. Such a decision will be published in the Official Gazette and will be immediately submitted to the National Assembly for approval. At the request of the Council of Ministers, the National Assembly will be able to extend the state of emergency for periods not exceeding 4 months each or to end the state of emergency.

According to the law, if a state of emergency is declared in the event of a natural calamity or a dangerous epidemic, possible measures that may be taken will include banning settlement in specified parts of the region where the state of emergency is in effect, restricting entry and exit to and from specified areas and evacuation or resettlement of the population of certain areas.

If a state of emergency is declared in the event of a severe economic crisis, the Council of Ministers will be able to issue decrees with the force of law which may influence property, capital and service markets, which may prescribe tax, monetary, credit, rent, wage and price policies and which may determine, organize or enforce labor-related measures and requirements. Furthermore, an Economic Affairs State of Emergency Coordination Council will be set up, comprised of the Prime Minister and pertinent ministers. The council's function will be to enforce the decisions of the Council of Ministers.

When a state of emergency is declared, in addition to measures envisioned for natural calamities, the following measures will be taken to preserve general security, peace and public order and to prevent the spread of acts of violence:

--Partial or complete curfews.

--Banning the presence and gathering of individuals and the operation of vehicles in certain locations and at certain times.

--Searching of individuals and their vehicles and property and impounding items that may be used as criminal evidence.

--Requiring the possession of identity documents at all times.

--Banning or requiring special permission for the printing, duplication, publication and distribution of newspapers, magazines, brochures, books, handouts, posters and other printed materials and the entry and distribution in the region where a state of emergency is in effect of similar materials that have been printed or duplicated outside the region; impounding books, newspapers, magazines, brochures, posters and other similar printed materials whose publication has been banned.

--Controlling and banning oral and written statements, pictures, films, records, audio and video tapes and broadcasts.

--Requiring sensitive institutions and banks to take special security measures to insure their own safety.

--Controlling and banning all types of plays and films.

--Banning the possession or the transportation of any type of firearms or ammunition even if they are licensed.

--Banning, impounding or requiring permission for the possession, preparation, manufacture or transportation of any type of ammunition, bombs, explosive and destructive materials and noxious gases.

--Banning or expelling from the region individuals or groups who may be suspected of threatening security.

--Banning, postponing, requiring permission for or, if necessary, dispersing gatherings and demonstration marches.

Special security forces and members of the armed forces will be authorized to use their weapons in any situation or circumstances that warrant the use of weapons. The said forces will be able to fire directly and without hesitation if their orders "to surrender" are not obeyed or are responded to with fire or when security forces are forced to defend themselves.

According to the law, civilian courts will handle cases that are outside the jurisdiction of state security courts and military courts.

Those who act against measures taken in accordance with the authority vested in governors by this law and other laws, those who do not obey orders, those who do not do what is asked of them and those who withhold information will be sentenced to prison terms of up to 3 months. Those who disseminate baseless

information will be sentenced to prison terms of 3 months to 1 year and fines of not less than 5,000 Turkish liras. If such crimes are committed through the press or other media the penalties will be doubled.

According to the law, detainment periods can be doubled by the Prosecutor of the Republic when a state of emergency is in effect or by the written orders of a justice of the peace or an inquisition judge if a delay in such a decision is expected to be detrimental.

9588

CSO: 3554/50

DEFENSE WHITE BOOK SEEN AS REALISTIC

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 28 Oct 83 p 5

[Article by Peter Quay: "A Realistic Scenario--Woerner's Talking Paper for Discussing Peace"]

[Text] Those who are quick to criticize suspect arms-buildup propaganda. Their reason: unlike in the past, the figures haven't been doctored.

The 1983 white paper saw the light of day after having gone through the most severe labor pains. No doubt about that. But those difficulties were more a function of a fair reappraisal of the days of the SPD/FDP coalition rather than of the objective statement of facts which, after an interval of 4 years, once again provides a true picture of the current West-East security situation. There was an urgent requirement for this statement of fact; not so much for purposes of Monday morning quarterbacking, but rather in anticipation of protests which will be directed against the Bundeswehr and Western security policy even after the end of the anti-missile demonstrations.

The white paper had hardly hit the stands officially when Andreas von Buelow, former parliamentary state secretary for the ministry of defense, a middle-of-the-road social democrat, called it a "scenario for arms buildup." Buelow was guilty of oversimplification. In any case, the authors of the 265-page tome had tried to include the defense policies of former social democrat ministers Helmut Schmidt, Georg Leber and, partly, Hans Apel.

The Christian Democrat leaders of the Hardthoehe might have made things easier on themselves politically, if they had provided an introductory note saying essentially the following: the SPD has recently quit the Alliance with its thorough disavowal of the NATO dual-track decision, thus leaving ex-chancellor Helmut Schmidt in the lurch. This requires a new elaboration of defense policy from the ground up.

The authors did not say anything of the sort, of course. They simply spoke of a "realistic continuation" of past defense policy. This is fair to the military who served enthusiastically, or at least loyally, under the Social Democrats, who didn't share their views in many areas. Nor does it embarrass

anybody, but still provides an opportunity of changing emphases and of doing away with the SPD leadership's bad habit of 4-5 years' standing of doctoring facts and figures in such a way that the bottom line shows "an approximate balance" between NATO'S and the Warsaw Pact's conventional and nuclear capabilities. No less a man than Hans Apel's "right hand," planning chief Walther Stuetzle, was the one who passed on the suitability of individual weapon systems whenever a numerical comparison appeared to go against the East.

The Hardthoehe must pay attention also to Hans-Dietrich Genscher's Foreign Office. Genscher wants at all costs to avoid the impression that any changes have occurred in foreign and security policy. Drafts of the white paper were passed back and forth several times between the Foreign Office and the Ministry of Defense. The Foreign Office finally won out as far as political terminology was concerned. But the final version contained all the facts which provide an undisguised analysis of the threat.

Any reader of the book who is offended by the fact that the term "detente" occurs only rarely or marginally should not be surprised thereby. By constant use in propaganda phrases, the concept had become totally meaningless.

Objections might be raised to an omission in the Paper. The traditional chapter about the Bundeswehr's "situation and development" was omitted and is to be added shortly, after such bodies as the planning commission and the long-term development commission have rendered their reports. These working groups simply haven't had sufficient time to deal with all the problems engendered by the new austerity policies. Among other things, the planners have not yet decided on how to deal with the problem of manning the draftee army with the age groups born in the years of low birth numbers.

Inclusion of such matters would only have served to alter the overall impression, in view of on-going demonstrations by the unofficial peace movement. As a matter of fact, the authors of the white paper were primarily concerned with enhancing people's capability of discussing the security situation, arms and their political uses--a capability which is not well developed in the general population. The objective was to firmly show the peace movement that the "silent majority" of FRG citizens would become able to use as highly official a document as the white paper to fill its own knowledge gaps.

This would be worthwhile for politicians and plain citizens alike, since the demonstrations against cruise missiles and Pershing IIs will not be the last chapter in the peace movement's emotional fight against Bundeswehr, NATO, arms buildup and armament in general. An official of the "Aktion Suehnezeichen: [Operation Atonement], Andreas Zumach, has already announced that the next round, whenever it might occur, will be directed against U.S. chemical weapons located in the FRG.

This example is proof of the unfair and one-sided manner practiced by the self-appointed fighters for peace. In 1969, President Richard Nixon

unilaterally and without Soviet reciprocation stopped the production of chemical warfare agents, which obviously resulted in a military disadvantage for the Americans. Now that Ronald Reagan has once again ordered small-scale production of chemical warfare agents, great protests are being heard worldwide, including of course in the FRG "battlefront" state. Defense Minister Manfred Woerner bore the brunt of this when he presented the white paper, when he declared himself in favor of modernizing U.S. chemical warfare weapons. His critics pounced on this point particularly.

The peace movement's next objective [after the chemical warfare agents] is likely to be the Bundeswehr itself, where the program calls for, among other things, the condemnation of the Bundeswehr's long-range (30 km) artillery pieces, because they give the West the capability of firing nuclear ammunition. Inasmuch as many other weapon systems are capable of carrying nuclear warheads, the protesters have a far-ranging field of activity for themselves.

Privately, defense ministry experts admit that in more peaceful times a white paper might have turned out better. But the statement is being made just as forcefully: "A new administration has just begun its work. In view of the activities of the peace movement, we live in very unusual times."

9273

CSO: 3620/54

FRENCH ARMS EXPORTS DROP AS THIRD WORLD ECONOMIES SAG

Paris LIBERATION in French 13 Oct 83 p 9

[Article by Sophie Gherardi: "Sales of French Arms Lag."

[Text] In a report intended for the [National Assembly] deputies, Charles Hernu states that exports of arms to other countries have dropped by 27 percent. A lack of financial resources in third world countries, which are France's chief buyers, has affected their orders.

The ups and downs of the world economic situation affect arms sales in the same way they affect ordinary consumer goods. Consequently in the first 6 months of the current year the volume of orders placed by foreign buyers with the French arms industry dropped by 27.2 percent compared to the first 6 months of 1982 and they amounted to 19.2 billion francs compared to 26.4 billion last year. It was Charles Hernu who gave these arms exports figures to the Defense Commission of the National Assembly as he does every 6 months. Third world countries account for almost 90 percent of French arms purchases and although war continues to thrive in those countries, their lack of funds has inevitably affected their orders for arms purchases.

Charles Hernu who last year was saying that he would like to see a more balanced distribution of arms sales--overly concentrated in the Maghreb and Near East regions (82 percent in 1982)--has seen his wishes fulfilled beyond all expectations when that percentage dropped to 62.5 percent in 1983. The financial problems experienced by oil exporting countries have affected their orders. Sales to South America, on the other hand, show a remarkable increase from 2.5 percent in 1982 to 25.6 percent in 1983 (the portion going to Central America was not specified). Other geographical areas account for smaller percentages: 7.3 percent for North America, 3.5 percent for the Far East, 1 percent for Black Africa and 0.5 percent for various countries.

The drop in orders is particularly noticeable compared to 1982 which was a banner year (with orders increasing by 11 percent compared to 1981). This is also the first time in 10 years that French arms exports have dropped. In 1972 the armament industries had an export business turnover of 4 billion francs (current francs); in 1977 their turnover was 15 billion and in 1981 it

totaled 25 billion. All along the proportion of manufactured arms which were exported climbed just as dramatically: 24 percent in 1972, 41 percent in 1977, then 38 percent in 1981. France went on to become the third major arms exporter in the world with 10 percent of the market, behind the USSR (37 percent) and the U.S. (34 percent). Other European countries come far behind: Italy (with 4 percent of the world market), Great Britain (3.5 percent) and the FRG (3 percent).

After some soul searching when they came to power, the Socialists were quick to realize that they could not neglect with impunity an industry which employs 310,000 people (110,000 working for the export production) and accounts for 5 percent of all French sales abroad. All the more so since arms exports make it possible, by increasing the order, to reduce the cost of equipping the French Army. Military research and development represent approximately 40 percent of the research work done by the public sector and has important repercussions in the private sector, particularly in the sphere of aeronautics and electronics.

The major armament conglomerates of France--Dassault (at the top of the list in France and second in the world after Lockheed), the SNIAS, Thomson-CPS, the SNECMA [National Company for Studies and Construction of Aircraft Engines], Matra and the CEA (nuclear)--are also engaged in activities of a civilian nature. Only around 80 percent of the armament industry has been nationalized although the initial plan was to nationalize the entire industry. The aircraft industry accounts for over half of the sales.

8796

CSO: 3519/54

PARLIAMENTARY STUDY SEES NEED FOR CHANGES IN NCO CADRES

Paris LE MONDE in French 8 Oct 83 p 13

[Text] The French Armed Forces should make the most of today's economic conditions to attract into the NCO ranks more candidates who are high school graduates than has been done so far, especially in the case of the Army. On the other hand, that same economic situation works against the necessary rejuvenation of the NCO ranks since when their contracts are up the enlisted cadres have no incentive to go back to civilian life due to the unemployment.

These were the main conclusions drawn by a report which was prepared, on behalf of the Defense Commission, by Guy-Michel Chauveau, socialist deputy for the Sarthe district. This parliamentary study answers a concern already voiced a year ago by Minister of Defense Charles Hernu when he urged the Army to increase gradually up to 50 percent the number of NCOs with high school degrees coming out of military college (as opposed to NCOs promoted through the ranks) as is the case in the Air Force.

While NCOs in the Navy (28,137 naval NCOs) and in the Air Force (41,551 in 1983) represent 45 percent of the manpower of their respective branch of the service, in the Army they only account for 20 percent of its numbers (62,900 career or conscript NCOs). "In the Army," the study notes, "NCOs are entrusted with command duties while in the Navy and in the Air Force most of the NCOs perform technical tasks and do not have officering duties."

Considering the general nature of instruction up to age 18, Mr Chauveau adds that "it would be disastrous for the NCO corps to be less qualified than most of the recruits(...) Therefore it is absolutely essential to have the same proportion of high school graduates recruited into the Army as of students graduating from high school nationwide, which now represent 25 percent of any given age group, while in 1972 only 17 percent of the candidates recruited (directly) by army colleges had a high school degree."

The author of the study notes: "The Air Force is where one finds the best recruitment standards since almost half the NCOs recruited are high school graduates (...) The ultimate goal of increasing to 50 percent the number of NCO cadets with high school degrees does not seem too ambitious given an economic situation that one must take full advantage of to improve the quality of the recruits," mostly in the case of Army recruits.

For the career development of NCOs, Mr Chauveau recalls that legislators had hoped that many of them would leave, taking their proportional retirement, and would be replaced by a relatively younger group joining through normal recruitment. "This policy can only be planned," he writes, "if the NCOs who retire from the services between the ages of 35 and 47 have the possibility of starting new careers in the civilian sector with salaries at least equal to what they previously received."

"But since 1981 the continued pressure in the employment market and fears created by plans to regulate double-dipping from retirement pension and a paid job have affected the behavior of older NCOs who are delaying their retirement and an increasing number of them are requesting to remain in the services past the minimum retirement age." According to the deputy for the Sarthe district, this is happening in the Army as well as in the Air Force.

"Not so long ago," he said referring to NCOs in the Army, "in 1974, we had the highest number of departures, with almost 6,700 people leaving. In the long run this volume of departures would have resulted in a very distinct rejuvenation of the commanding cadres. But in recent years only 4,500 NCOs have left due to the combined effect of new regulations being introduced and of the difficulties of going back into civilian life. This new trend could have the opposite effect of raising the age of the commanding cadres. "According to Mr Chauveau the Navy has a better record of "flights."

8796

CSO: 3519/58

DEFENSE MINISTRY IN MARKET FOR BATTLE TANK, MISSILE SYSTEM

Madrid ABC in Spanish 8 Nov 83 p 23

[Text] While in Germany, Army Chief of Staff Lieutenant General Ramon de Ascanio y Togores will study the Leopard battle tank, manufactured by the German firm Krauss Maffei. General Ascanio left yesterday for the FRG, where he was invited by the Army Inspector General of that country Meinhard Glanz. Ascanio will return to Madrid on 10 November.

The Ministry of Defense has to decide on the future battle tank with which to equip the Spanish army in 1990. Spain, under French license, builds the AMX-30 battle tank. The Spanish company Santa Barbara has brought substantial improvements to the defense sector suggesting that with the technology acquired and developed by this sector, Spain would be able to build the new tank, whenever a coproduction agreement is reached with an international firm.

The Ministry of Defense also must decide this year on the type of anti-tank missile with which to equip the army. The competing firms are the American Hughes Corporation and the Franco-German Euromissile.

Last 11 May, Spain and the FRG signed a cooperation agreement for arms, equipment and materiel for the Armed Forces. This agreement established a framework for cooperation between the two countries that governs joint research and coproduction as well as the means for settling problems over exportation to third countries.

General Ascanio's visit is in reciprocation for that of General Meinhard Glanz to Spain in October 1981. The Army Chief of Staff will visit the Artillery School, helicopter, armored and mountain units as well as the Krauss Maffei factory in Munich. During the lieutenant general's absence his duties will be assumed on a contingency basis by Lieutenant General Manuel Saavedra Palmeyro, commander of the Second Military District.

CSO: 3548/105

MILITARY

SPAIN

BRIEFS

MILITARY MATERIEL EXCHANGE AGREEMENT--Spain and Greece will soon sign an "agreement for the exchange of military materiel," according to Greek Foreign Ministry Undersecretary Yanis Kapsis. Kapsis added that the negotiations regarding this exchange "were initiated during the visit of Spanish Defense Minister Narcis Serra" to Athens the middle of last September. [Text]
[Madrid ABC in Spanish 8 Nov 83 p 23]

CSO: 3548/106

DEFENSE MISSION, ARMS, PROCUREMENT, FUTURE

Interview with Defense Minister

Paris STRATEGIE AFRIQUE/MOYEN-ORIENT in French 3d quarter 83 pp 16-18

[Interview with Georges-Andre Chevallaz, member of the Swiss Federal Council and chief of the Federal Military Department (defense minister); date and place not given]

[Question] Can the highly special character of the Swiss defense system serve as a model for other countries? If so, in what way?

[Answer] I believe that if one wishes to characterize the Swiss military system, its basic feature is the mobilization of about 80 percent of all men between 20 and 50 years of age. This percentage embraces the really mobilizable manpower, in other words those persons in the "elite" forces until age 35, in the Landwehr until age 42, and in the territorial forces until age 50. If we were to go to war today or tomorrow, some 625,000 men and 5,000 women would be on an operational combat footing within 48 hours along with their weapons, equipment, and logistic support. This people's army--without giving that term any political connotation--implies that its soldiers be called up for short but frequent tours of active duty: initially for 4 months of basic training, followed annually over a period of some 10 years by 3 weeks of systematic training and field exercises, and this until age 50 with reduced frequency.

[Question] What entitles you to say that your system is effective when the Swiss army organized in this fashion has not had to fight in any recent wars?

[Answer] Our system enables us to muster a great density of troops while still having but a relatively limited number of regular officers (less than 1,000). On the other hand, our militia officers--up to the rank of regimental commander--come from the civilian sector and thus bring to our military organizational structures the qualities of civilian life. These officers are engineers, lawyers, magistrates, and administrators accustomed to managing and commanding, but who at the same time are thoroughly familiar with their people. This symbiosis is a guaranty of effectiveness.

[Question] Your defense doctrine gives the system of fortifications privileged status. Why is this?

[Answer] Because of its geography, our country is naturally fortified by its mountain ranges, the Jura and Alps. These form a considerable barrier reinforced with organized demolition targets and belts that would be detonated on very short notice. In addition, bridges, tunnels, etc. are also reinforced with fortified positions of various sizes: antitank infantry and long-range artillery fortifications. This defense system is periodically and gradually modernized.

[Question] Does this system also protect you against nuclear attack?

[Answer] Partially. Although everything has not yet been adapted to shield us completely from radiation, we do, nevertheless, have such protection to a large extent.

[Question] Could Switzerland remain neutral in the event of nuclear war in Europe?

[Answer] Everything would depend on the scale of such a war. If it were an all-out exchange with megaton strikes throughout Europe, it is obvious we would be involved. But I consider such an eventuality highly doubtful. In my opinion, even a very limited and small-scale nuclear war is unlikely. If the exchange were very localized, in that case we might escape the conflict, just as we might equally become entangled in it. Indeed, whether it be a nuclear or conventional war, we could become involved either by fallout spreading over our country or by troops infiltrating our territory. Under such circumstances, for us neutrality would cease and we would automatically become engaged against the aggressor.

[Question] With the general rise in terrorism, isn't the fact that each Swiss citizen keeps his military weapons at home with him a disquieting situation?

[Answer] I have enough confidence in our fellow citizens to believe that there are very few terrorists among us! Internally, the few public political disturbances that occurred in Zurich or elsewhere did not involve the use of the automatic rifles which some of the demonstrators had at home. Admittedly from time to time there is a murder committed with an automatic rifle, or a suicide with a soldier's individual weapon. These are rare cases, however. On the other hand, there have been a few cases of weapons being stolen, probably to supply the international illegal arms traffic. But 4 years ago, we introduced a system of protecting our arms depots with armed guards who have orders to shoot. Furthermore, each soldier carefully guards the individual weapon for which he is held personally responsible and accountable. These well-maintained weapons are frequently used by our citizens in periodic practice and competitive firing sessions in our various rifle clubs.

[Question] Won't the steadily increasing sophistication of weapon systems require your soldiers to have a greater degree of professionalism?

[Answer] Yes, in one way it will. This is true, however, especially in the case of maintenance personnel. For example, the maintenance and servicing of

an aircraft today compared with an aircraft of some 40 years ago is a much lengthier and more exacting process. The same holds true for tanks. On the other hand, the sophistication you mention makes it easier for our militiamen to operate modern weapons, aircraft, and tanks than the more "rustic" equipment of not so very long ago. It is easier to drive a Leopard 2 tank than a Centurion tank, for example. It is easier to pilot a Tiger [F-5E fighter aircraft] than an older-generation Vampire. This newer equipment is easier to handle. It is more automated and stabilized than formerly. For example, the gunner in a Centurion tank had to stabilize his gun whereas in a Leopard 2 this is done automatically.

[Question] To what extent does Switzerland have a feeling of solidarity with Western military alliances like NATO?

[Answer] There is, of course, a certain de facto solidarity with those who are defending Europe's freedom whatever the source of threats to this freedom may be. But since the 16th century, ever since the Battle of Marignano, Switzerland has followed a policy of no alliances. This policy was respected even by Napoleon despite the fact that we were under his thumb and he had required four regiments of fresh troops from us per year! The great powers recognized our neutrality in 1815 at the Congress of Vienna. We believe that since then we have been doing our duty in Europe without accepting the constraining requirements of this or that alliance. This having been said, we are militarily guarding a key position: we are sufficiently strong and vigilant to "guard the gap" which [rest of sentence absent from text].

[Question] Can the Swiss armed forces assume a peace-keeping or interposition role in certain external conflicts?

[Answer] There are precedents for such a role. We have some 10 representatives on the Armistice Commission in Korea. We contribute financially to the United Nations force in Cyprus. We are in the process of revising our law on military organization to explicitly authorize us to detail troop units to certain duties in foreign countries, principally in the event of major disasters. Some 2 years ago, we dispatched about 30 soldiers with their officers and equipment to assist in relief operations after an earthquake in the Naples area. Admittedly this was not much, but it did enable us to establish a precedent. Hence to answer your question directly, from a legal and practical standpoint nothing precludes assigning such a role to our forces. However, I do not think that at the present time Parliament would authorize sending a battalion to Lebanon, for example. Yet such a possibility cannot be ruled out for the future, even though we are not a member of the United Nations.

[Question] Don't you consider it paradoxical for Switzerland to maintain a policy of neutrality while it houses a large arms industry?

[Answer] Let's be fair and accurate about this. We do have an arms industry, but it is not expanding, contrary to what has been said. Furthermore, we have an extremely restrictive law governing arms exports. The manufacture and exporting of arms are subject to authorization from the Federal Council.

This law prohibits exports to countries at war or in which there is internal or external tension, and likewise to countries in which human rights are not respected. For that matter, our arms exports have actually declined these past few years and now account for 0.9 percent of our total exports. Our chief customers are our neighbors, especially for components of weapon systems. Neutrality does not exclude our purchasing some arms from other countries. Consequently it is not paradoxical for us to sell arms.

[Question] You have, nevertheless, signed contracts with more distant countries....

[Answer] In the Middle East, the criteria I have mentioned do not permit us to export to either Syria, or Lebanon, or Israel. On the other hand, we [the Federal Council] have approved selling antiaircraft equipment to the United Arab Emirates. The problem of Saudi Arabia could be approached from a similar angle. But we would not currently export arms to Chile, for example.

[Question] What about certain borderline cases like Egypt?

[Answer] Egypt is a case that would have to be analyzed very closely. The state of war has not ended for Egypt.... On the other hand, the sale of antiaircraft equipment to Nigeria has been approved.

[Question] With regard once again to the Swiss army, and strictly from the standpoint of its arms and equipment, what are the priority programs for the future?

[Answer] We are currently receiving some 30 Tiger aircraft for our air force. Our units were recently equipped with Dragon [antitank missile] systems and Rapier [surface-to-air missile] systems. We are preparing to acquire a new type of advanced tank, 60 percent of which will be manufactured under license in Switzerland. We shall also have to obtain a light antitank armored vehicle for our regiments, a combat helicopter within the next 2 or 3 years, a replacement for the automatic rifle and then for our Mirages as interceptor aircraft, a transport helicopter, etc.

Future Developments

Paris STRATEGIE AFRIQUE/MOYEN-ORIENT in French 3d quarter 83 pp 19-24

[Article: "Swiss Armed Forces in next 12 Years"]

[Text] Army's Mission and Threats

The Swiss Confederation's defense policy is consistent with a long-range program. For this article, we have extracted the main trends of this programming effort as outlined in a report by the Federal Military Department.

Because of the time it takes to implement armament and construction projects, the army's Master Plan covers a minimum period of 12 years, in other words the term in office of three legislatures.

It follows that the Master Plan is a long-range planning instrument. It takes into account all currently discernible factors that could have an impact on army planning. It also considers specific data as well as extrapolations and trends.

The Master Plan is the long-term frame of reference governing the army's development and improvement. It is determined on the basis of the army's goals and the military danger facing our country.

The army's goals are expressed in its mission. The military danger follows from the depiction of the threat and environmental conditions. Lastly, development and improvement of the country's military defense is possible only within certain limits.

In a defensive situation, a strategic situation which by definition implies use of force, the army's assigned mission is to defend Swiss territory at its very borders, prevent the enemy from attaining its operational objectives, and maintain at least part of our territory under the Confederation's sovereign jurisdiction. In those sectors where operating forces can no longer act effectively, guerrillas will impede enemy control and prepare the sectors for liberation. Lastly, and to the extent its mission allows, the army will assist civil authorities, thereby contributing to conduct of the overall defense....

The international situation is increasingly marked by a proliferation of protagonists: individual countries, groups of countries, ethnic or ideological movements, terrorist organizations, etc. Sources of conflict are becoming more numerous: unsatisfied territorial claims, minority problems, overpopulation, disparity in development, political and ideological tensions, lack of raw materials, and energy problems. Bellicose acts or practices are steadily increasing in both number and effectiveness: infiltration of provocateurs, economic pressure, military and political dependence on a foreign power, arms build-up, etc. Events that appear to be unrelated are revealed to be connected thanks to international information networks and the increased mobility of persons, materials, and equipment. The imponderability of conflicts that stem from this unstable situation is compounded by a probable reduction in the warning time available for taking military action. In a period of tension--a period that may be of long duration--this margin could conceivably be totally nonexistent.

The consequences, for our country, of this situation are as follows:

- a. The political and military threat can intensify.
- b. The latent tension characterizing East-West and American-European relations can deteriorate into a crisis and a more or less limited conflict in a third-party country.
- c. Politics are acquiring increased importance in security matters. Indications of this include peace movements and new forms of internal threats, plus the mounting importance of each approved arms control measure.

d. The insecurity of our supplies of energy and raw materials is constantly increasing.

From these consequences we can deduce the following thoughts and facts about military defense and the conduct of combat operations.

The totalitarian powers are increasingly becoming the nations to be feared as instigators of strategic offensives. It can be inferred from this that conventional warfare is liable to be preceded, accompanied, and indeed even prolonged by indirect warfare. Sabotage and terrorist and commando operations will gain in importance and be coupled with the psychological warfare we must expect.

The equipment used in conventional warfare will make operations possible regardless of visibility, weather, and terrain conditions. There will be enormous strides in accuracy, observation, and target acquisition. The computation and transmission of firing data will become more rapid. Reconnaissance systems and command and control systems will permit acceleration of the course of the battle, while electronic warfare will take on considerable importance.

Armored vehicles will play an important role within the ground forces much beyond the year 2000. They will be employed in conjunction with combat helicopters, tactical air support, and powerful fire support from tube and missile artillery.

The air threat is characterized by the increasing airmobility of command and control facilities, combat personnel and equipment, and also by the heightened danger of strategic surprises stemming therefrom. The capability of airlifting heavy equipment is nearly unlimited. Consequently military operations can be conducted deep within defense positions and over long distances. The employment of drones, combat fixed-wing aircraft, and helicopters appreciably increases the danger of tactical surprise. Electronic equipment can be jammed or destroyed by weapons systems having a self-contained target-seeking capability. These developments induce the aggressor to arm his ground forces with a multiplicity of all-weather antiaircraft systems.

The number of tactical nuclear and neutron weapons is also increasing, but without a resultant proportional increase in the threat. The greater the density of nuclear weapons deployed on both sides, the lesser the probability of their employment. On the other hand, the risk of nuclear accident does increase. The nuclear stalemate enhances the probability of seeking more inconspicuous means capable of having an effect over large areas. The use of toxic biological and chemical agents becomes more likely, especially if new discoveries are made in this field.

Unshielded electronic systems are highly vulnerable to the electromagnetic radiation, i.e. electromagnetic pulse (EMP), from a nuclear explosion.

Environment and Means

Urban centers will become more and more densely populated. Technological developments and automation will structurally change the work force. We must expect an even more pronounced expansion in service types of employment.

As long as there is no considerable and lasting weakening of the economy, social structures will remain stable, but the population's ability to resist physical and mental stress will diminish. Population centers in some regions will spread and ultimately touch each other, thus forming new terrain compartments. Expansion of the highway system and construction of new lines of communication increase the country's permeability to military operations.

The effort to rationalize administrative and economic structures will lead, to a much larger extent, to concentrations that are vulnerable and unusable in a crisis and defense situation.

With regard to militarily important resources, our dependence--for oil and metals--on foreign sources cannot be reduced. European partnerships in the field of fossil fuel materials are creating further dependence. Alternate fuels are unlikely to be available for army use during the period under consideration.

Shelters for the civilian population are continuing to be built. Sufficient shelters are expected to be available near the end of this century.

The retention and acquisition of firing ranges, training and maneuver areas will pose more and more problems and compel us to find very costly alternative solutions.

Improvement of our military national defense system is dependent on the following general conditions:

- a. The militia system is maintained;
- b. The army's mission also remains unchanged and conforms to the general defense concept of 27 June 1973;
- c. The current employment doctrine is maintained in principle;
- d. From a training standpoint, the present total surface area available for firing ranges and field exercises must be at least maintained, and likewise the length of time currently allocated to instruction and training must not be curtailed;
- e. Whenever organizational structures have to be created or modified, it is necessary to try to identify the peacetime organization with the wartime organization.

These general conditions are cornerstones that can be shifted to only a very slight degree.

In addition to meeting these conditions, military planners must abide by the Confederation's financial plan which allocates funds to the Federal Military Department for the army's operation and maintenance and also for its necessary capital investments. The government has the prerogative of determining what share of the Confederation's expenditures shall be allocated to military defense. Military planning is based on the assumption that the army's share of federal funds in the future will be equivalent to the share it received during the 1980-1983 legislative term.

The number of draftees is also a part of the general conditions. We can partially fill manpower gaps by such organizational measures as raising the age limit for personnel in the "elite" forces. Having women fill certain positions in the army would also be desirable. Actual foreseeable military manpower levels will enable us to maintain the required personnel strength until approximately 1990. Consequently there will be no serious personnel problems during the next two legislative terms.

It will be necessary to take appropriate steps to adequately provide for the post-1990 shortage of personnel. Even now we are planning to fill the personnel "gap" by more powerful weapon systems. This will inevitably result in some restructuring.

Army Long-Range Developmental Objectives

The long-range objectives derived from the considerations outlined in the foregoing paragraphs have been carefully examined by the Military Defense Committee. These objectives are as follows:

1. The army has to be improved principally in those areas having great deterrent value.
2. The army must be able to provide primary protection, throughout the year with sufficient combat forces, against sudden strategic attack.
3. The organization and efficiency of our mobilization system must be adapted to new requirements. There is need to examine to what extent some mobilization functions could be performed by the troops themselves.
4. The time required to bring the bulk of the army to a state of combat readiness has to be shortened. It is necessary also to increase the number of tactical units that can be combat ready upon mobilization without long and exacting preparation.
5. Provisions governing combat within the border zone must be improved, particularly in sectors of operational importance. This means taking steps to prevent protection of our neutrality from unintentionally degenerating into veritable uncontrolled fighting.
6. The army must be capable of maintaining the structural operational readiness of forces held in a defensive posture for an indefinite period. Headquarters and troops must be relieved at regular intervals.

7. There is need to form an army reserve force capable of being employed offensively alone or in support of the army corps.
8. The commander in chief must be given broader freedom of action. To supplement the air force, it is necessary to develop and improve such other strategic means as our demolition targets and belts, army reserve force, information service, psychological defense, and guerrilla networks.
9. Command and control of combat operations must be adapted to modern conditions. There has to be greater aggressiveness. Part of the army must be capable of conducting defensive operations in urban areas with only brief preparation.
10. Bases from which to wage guerrilla warfare need to be improved.
11. The number of mobile antitank weapons must be increased.
12. A broader range of antitank weapons is required. There is need to examine whether in addition to shaped charges it is possible to use bursting charges and modern land mine warfare systems, and even other precision guided munitions.
13. The number and power of mechanized units must be augmented through acquisition of new battle tanks and modernization of part of the existing tanks.
14. The air force is one of the most important military components when changing from a normal peacetime stance to an active defense posture. It must not only have elements enabling us to retain our air supremacy but also the capability of employing the bulk of its units in air defense and tactical air support tasks.
15. The current shortage of antiaircraft weapons in our ground forces must be corrected by acquisition of an adequate weapon system.
16. The size of command headquarters and staffs must be limited.
17. The army must be able, as and when necessary, to assign units to maintenance of law and order tasks and to antiterrorist operations whenever normal police resources cannot cope with these problems.

These objectives constitute the frame of reference within which the army will be developed and improved during the 1984-1987 implementation stage. As part of the army's Master Plan, these objectives will be reviewed at short intervals, as required in any planning....

Conclusion

A small country like ours cannot avoid acquiring certain modern and costly weapon systems. A "simple and inexpensive army" is not prepared to oppose a modern aggressor, not to mention the fact that such an army does not meet the stated objectives of our security policy. No other solution can replace that

of developing and improving our military defense, not even the guerrilla force solution. At best, the latter can be considered a complementary force.

Though modern weapon systems are relatively easy to handle, their maintenance does require a greater number of specialized personnel. Even though this requirement means higher pay and allowances for such personnel, it does have the advantage of offering new possibilities of maintaining a permanent state of operational readiness.

The technological complexity of modern weapon systems, aircraft, tanks, and missiles results in higher procurement and maintenance costs. We should draw appropriate inferences from this situation and reexamine our procurement procedures. Military equipment specifications must be limited to essentials. The service life of costly system must be prolonged and their efficiency improved by periodic modernization. From now on, we shall have to accept the principle that all units are not to be uniformly and simultaneously equipped.

When for financial reasons we have to make do with a lesser number of modern high-performance systems, these will be deployed jointly with other simpler and more numerous systems while making judicious use of the advantages offered by our terrain. The modern weapon systems deployed in this manner serve as a sort of backbone.

Lastly, arms procurement will increasingly have to be in conformity with the arms policy guidelines issued by the Federal Council. In so doing, however, we must avoid depriving ourselves of our freedom of action. Good planning does not exclude making pragmatic decisions on short notice whenever necessity dictates. On the other hand, rapidly evolving arms technology can necessitate the early entry into service of some modern weapon systems or other military equipment for the purpose of testing them and creating favorable conditions for future evaluations and developments. In short, it is advisable to retain maximum flexibility and deliberate common sense in the actual application of arms procurement procedures.

Swiss Army Statistics for 1983

Personnel

a. Trained military personnel assigned to units: 625,000, including each unit's required percentage of supernumeraries; this total is 10 percent of the country's population and includes 45,000 officers, 110,000 NCO's, and 7,000 women.

b. Regular personnel (also assigned to units, hence mobilizable with them and included in the total 625,000): 1,500 officers and NCO's serving as instructors in service schools; 1,500 officers and civilians in the Federal Military Department, Army General Staff, and major unit staffs; civilians employed as equipment and infrastructure maintenance personnel as well as service and support personnel on training airfields: 10,000.

c. Trained military personnel that are nonmobilizable because of their assignment to civil defense tasks: 100,000.

d. Annual average number of men participating in: compulsory rifle target practice (in civilian clothes): 550,000; and voluntary pistol target practice (in civilian clothes): 30,000; compulsory military training: 420,000.

e. Number of recruits trained each year in [basic training] schools and then assigned to units: 38,000; 6,500 of these subsequently become squad leaders, and from that number some 1,800 are then trained as officers, 400 as sergeants major, and 400 as quartermaster sergeants.

Major Units

Three field army corps, one mountain army corps, and air and antiaircraft troops, consisting all together of the following: 12 divisions: three mechanized, six field, and three mountain; six territorial areas; and 20 nondivisional brigades: 11 border, three fortress, three redoubt (blockhouse), one aviation, one airfield, and one antiaircraft.

Weapons and Equipment

Battle tanks (armed with 105 mm gun): 780; armored personnel carriers and vehicles derived therefrom: 1,350; armored self-propelled 105 mm artillery (M-109): 260; tractor-drawn 105 mm artillery pieces: 900; mortars (81 and 120 mm): 3,000; antitank guns (90 and 106 mm): 1,340; Dragon and Bantam antitank missile launch and fire control units: 800; antiaircraft guns (20 and 35 mm): 1,800; combat and reconnaissance aircraft: 300; helicopters and light fixed-wing aircraft: 95 and 20 respectively; trainer aircraft: 180; motor vehicles, two-thirds of which are obtained by requisition upon mobilization: 83,000; plus a considerable number of Bloodhound surface-to-air missile launchers.

Infrastructure

Prepared route barriers (so-called "charged demolition targets"): 2,000; fortified positions (with 400 artillery pieces, 600 antitank guns, 250 antiaircraft guns, 1,800 machine guns): 2,000; permanent antitank obstacles: 4,000; troop and headquarters shelters for more than 125,000 men; wartime air bases (excluding superhighway sections converted into airstrips): one dozen; prepared military hospitals with a total of 20,000 beds; installations containing reserve supplies: 600; ammunition caves with a total length of 30 kilometers; and buildings housing mobilization equipment for troops: 2,700.

Budget

a. Military expenditures: approximately 20 percent of the Confederation's budget, or about 2 percent of the gross national product, or approximately 595 francs per inhabitant.

b. Operation and maintenance expenditures: about 47 percent of total defense outlays.

c. Capital expenditures: approximately 53 percent of total defense outlays.

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PROBLEMS OF EEC IN UNEMPLOYMENT, TECHNOLOGICAL PROGRESS

Paris LE DEBAT in French Sep 83 pp 53-68

[Article by Michel Albert: 'Postscript to the French Wager: Non-Europe on the No-Growth Skids']

[Text] Non-Europe

From 1958 to 1973, the European Economic Community brought and held together a group of countries that were still riding on the wind of history. Their economic performance, as we have seen, was unprecedented and their prosperity enviable. And so it came about that tired old Europe, cradle of the West and of democracy, could offer her privileged citizens -- ourselves -- both freedom and security, plus the wealth of the welfare state. At every level, Europe was, in those days, catching up with the United States (1), whose Marshall Plan dollars had made it possible for Europe to pick itself up and start anew after the war. Article I of the Treaty of Rome which in 1957 established the EEC: "The Community's mission, through the establishment of a Common Market and through the gradual assimilation of the economic policies of member states, is to foster harmonious development of economic activities in the entire Community, a steady and balanced growth, an accelerated improvement in living standards, and closer relations between the states it brings together."

What does all that mean? It meant that the creation of the Community was seen by its creators as the biggest /investment/ of all. By joining together with the others, each state was certain -- and rightly so -- that it would profit thereby. Each accordingly stood ready to make the short-term sacrifices involved in harmonizing economic policies, in order, in the longer term, to reap the advantages of growth, of balance, and of stability for the Community as a whole. We were capable, in other terms, of accepting what is the very definition of investment: taking the /profitable/ long way 'round because it was the shortest way home. There again, we were right. The return on that investment has been incontestable. The economic and social progress achieved in Europe during the first 15 years of the Common Market is due in large part to that wise investment.

Everything is different today. In 1983, the landscape of the European economy is one of decline and discord. For the fourth consecutive year, economic growth is close to zero; the resulting unemployment is in excess of 10 percent almost everywhere. Unemployment, when it increases, becomes the prime barrier to investment, and hence to growth. Growth, investment, jobs: the three givens are related, and their interdependence hedges Europe into a vicious circle. What is even more dismaying is that the time of the "lean kine" has become the time of disunity. Capable, in the old days, of uniting in order to share -- and increase -- their prosperity better, the nations of Europe are pulling back, "every man for himself," behind their national selfishness, failing to grasp the fact that this alienation is itself a factor in impoverishment. At the very moment when the profitable detour of European solidarity would be most helpful, we are dropping it in favor of short-term perceived advantages. Election days are fast becoming the only deadlines that count. There is no thought for the future.

Misconception and Awkwardness

When the price of oil quadrupled in the aftermath of the Yom Kippur War, it should have been obvious to anyone that a new period in history was beginning and that, for Europe, which during the postwar years had been the land of economic miracles, the days of easy growth were over, and for a long time to come. Had that evidence been recognized as what it was, it would have entailed two responses. One would have been more sacrifices, more investments to get us through the testing time and enhance the competitive edge of European industry, and the other "still more Europe," a speedup in the process of building Europe, closer solidarity in order better to face together the tremendous problems arising. But alas! We did exactly the opposite. Governments shut their eyes tight, refusing to see anything more than a minor glitch in the immediate situation in what was a profound and lasting change in the economic geography of this planet. Instead of the necessary investments, we made consumption our priority, and sacrificed jobs to wages; in place of organizing yet more tightly, each EEC nation elected to play the Lone Ranger. Europe, to put it bluntly, adopted what the psychologists call evasion behavior. It is noteworthy that this happened in all the member countries, despite the diversity of their stated policies and, in every country, it happened to both enterprise and government budget policy.

Jobs Sacrificed for Wages

The population of the EEC is comparable with that of the United States. Yet, from 1973 to 1980, the EEC created /100 times fewer jobs/ than did the United States; the net increase was on the order of 100,000 here, as against 9 million over there. The first logical deduction from that fact is often overlooked: if unemployment rates in the United States and Europe are comparable today,

that means that unemployment has risen /twice as fast/ here. In 1973, Europe still had full employment, while the jobless rate in the United States already stood at more than 5 percent.

Trend in Unemployment Rate

	1970	1986	1981	1983
EEC	2 %	4.8%	7.8%	9.4%
USA	4.9%	8.5%	7.6%	9.4%
Japan	1.1%	1.9%	2.2%	2.3%

(Source:

This spectacular rise in unemployment in Europe stems from several causes. One of them has to do with the rigidity of wages (and other income sources) which has also fed inflation. Of course these data are not patient of quantification with any degree of accuracy. We can get an idea, though, by comparing real wages with so-called "justified" wages, meaning those which would not affect corporate profits. That difference, which was zero for the EEC from 1960 to 1973, reached 3.3% between 1973 and 1980 (2). Nothing like that happened in the United States. Contemplating slowed growth, the collective response of shareholders in Europe was to hang onto the advantages they had already won, and to barricade themselves behind corporatist privileges, thereby implicitly accepting the consequent rise in unemployment.

In Japan, the priority assigned to full employment is reflected even more clearly in wage flexibility, achieved largely by fine-tuning the "bonus" machinery.

The United States is fairly rigid insofar as wages go (2-year collective bargaining contracts), but supple as to the number of workers; Japan is rigid as to the number of workers, but flexible when it comes to wage levels. Europe is rigid on both scores, and is the loser on both counts.

Less Profitable Industries

The priority granted to wages vis-à-vis unemployment in Europe in the EEC countries has resulted in lowering the profitability of European industry and hence impairing its investment capacity. Without question, profitability comparisons are traditionally unfavorable to Europe, where companies are penalized by the relative weakness of their capital funds by comparison with those of their competitors across the Atlantic. That weakness, though, which is offset in periods of high growth by recourse to indebtedness, now

constitutes an additional and dangerously cumulative handicap.

The latest figures on the performance of European industry are catastrophic: in 1980, the average net profits of the 100 biggest industrial groups amounted to 1.4 percent of their sales, as against 2.4 percent and 4.8 percent for the hundred largest Japanese and American groups, respectively. If we leave the oil companies aside, we see, for that same year, a net capital gain of 11.5 percent for the American companies, and 13.8 percent for the Japanese... The European corporations, though, showed a deficit of 0.1 percent!

As we know, deficits drive out investments. That is what is happening in Europe. Measured in percentage of GNP, investment here was running twice as high as in the United States in 1970; today -- and this is unprecedented since the Fifties -- it is running only a hair ahead of the US, and amounts to a scant two thirds of what it is in Japan.

Skewed Budgets and Deep Trouble for the Welfare State

This trend is further aggravated by a skewing in national budget policies which places the nations of Europe in unprecedented predicaments, and it coincides with a very serious crisis: the one threatening the welfare state.

The following table shows clearly that the economic breach of 1974 set off a general acceleration of governments' bite of GNP. That share is now 50 percent in Europe, though it is barely 30 percent in the United States and Japan: here more than elsewhere, economic stagnation's impact on governmental budgeting practice has become a sickness that might be called "taxflation."

Government Spending (in % of GNP)

	1960	1967	1973	1980
United States	27.8	31.2	31.2	33.2
Japan	20.7	22.7	22.1	32.7
EEC	32.1	37.5	39.9	47.2
France	34.6	39.0	38.5	46.2
FRG	32.0	38.2	40.5	46.9
United Kingdom	32.6	38.5	41.1	44.6

Source: OECD National Accounts

How to explain this phenomenon and its ominous consequences? First, wages and "corporations" of all sorts have reacted collectively as shareholders have individually, striving to keep their purchasing power high: they have decided that government spending **should** play buffer to the recession by allowing them to go on and consume more each year than they did the one before. In all, from 1973 to 1982, the consumer share of PNB in EEC countries has risen by 6 points (or 10 percent), while that of investments has shrunk by 4 points (or 17 percent). Translation: we have deliberately sacrificed the future to the present. Primarily, though, this skewing in governmental spending policy is due to the rise in social security spending which imperils the whole of our social protection system, unparalleled in the world, which we adopted shortly after the war, and which has been variously called the "Protector State" or the "Welfare State."

The four great categories of social spending are: health insurance, unemployment compensation, pensions, and family allotments.

Family allotments pose no particular problems in the short run, given the demographic slowdown. The same cannot be said of the other three. In all European countries, the ratio between old people and the working population is rising on the side of the elderly or is going to start rising shortly, and, along with it, the pension load. Rising unemployment has multiplied the cost of unemployment compensation by around 4 since 1973. Lastly, health spending, which was already rising faster than the national wealth when growth was 5 percent per year, tends to rise at the same clip, while that of the nation's wealth has come close to zero.

This means that social security expenditures have become -- by far -- those that do most to increase taxes and aggravate government deficits. In all Europe, the growing costs of social protection today reflect the increase in the number of old people who benefit most by it (health care and pensions). This means that the retired are taking more and more away from those still working -- who may well be discouraged by that fact -- and the overall effect is to hold down profitable investments through an invisible but implacable process. The cost of these entitlement programs has climbed very high indeed: in percentage of GNP, it rose by 7 points or so from 1970 to 1980 in the EEC, or a relative increase in excess of 36 percent in 10 years! Of us all, Great Britain was the one to sacrifice the profits of enterprise to collective consumption more than any of the rest of us. We know where that has led.

The distress of the Protector State today affects all the EEC countries, and, in some of them, has entailed widespread opposition to any increase in compulsory withholding taxes. These countries simply cannot go on allowing growth in social transfers that would exceed their economic growth rate for any significant period.

Were they to do so, they would irrevocably imperil the ability of European industry to compete and thus, in the long run, threaten maintenance of their peoples' standard of living. The fact of the matter is that there are only two ways to finance the increase in social expenditures: either increase employers' contributions, or raise taxes.

The first solution, the one most broadly followed in the Latin nations, does have one advantage: it is not too painful, and public opinion tends to look upon it as a wonder drug. At the bottom line, alas, these social costs, whose rigidity comes on top of that of wages, have inflationary effects on costs and cut into the ability of enterprise to finance its own requirements. In the long run, it is competitive posture of enterprise that suffers, and, with it, jobs. The alternative solution is preferred in most Northern European countries, where a good share of social expenditure is financed through tax revenues. It is less inflationary but more painful in the public eye; there is hence a very strong temptation in these countries to allow their governments to run very high deficits. And in fact those deficits started to explode in 1974. Over the preceding 5 years (1969 to 1973), they averaged only 0.5 percent of GNP within the EEC. But from 1974 to 1978, though, they touched 3 percent, or six times as much. And, since these deficits have to be covered somehow, they resort to loans, which drives up interest rates and, again, puts a brake on investments.

Of course, these deficits are not peculiar to Europe. In the EEC, though, two factors help render them more serious than they are elsewhere: the outer limit already reached in withholding taxes for social security on the one hand, and, on the other, the deep and stubborn trend toward relative increases in social spending, in view of the slowdown in growth, since this process, too, is cumulative.

Even so, the crisis in the finances of the Welfare State must not make us forget that the advance in social protection is one of the rights that keeps Europe superior to America. It is hard for us to finance our hospitals, but in the Great Lakes region the hospitals are emptying because the people no longer have money to pay for care; our wages are out of line, but the German automobile workers are sending planeloads of food to the unemployed in Detroit; unemployment compensation costs overburden our industries, but in the United States, soup kitchens served as many free meals in 1982 as they did in 1932.

To dismantle our social protection systems would be criminal. To avoid that crime, we need first of all massive effort to tailor services to resources and, above all, more economic growth. And that means more Community among Europeans.

The "Every-Man-for-Himself" Community

The contrast between the advances Europe made during the "glorious 30 years" and its tribulations since they ended (especially since the second oil price-hike) is the more startling when we move from scanning economic performances to look at that of the Community organization. We have swung in a few years from the convergence of the Six to the divergence of the Ten. Without being aware of it, we suffer more each day from this crumbling of the European organization.

Since 1973, the member states, instead of intensifying their efforts to "invest together" in the Community, have tended to look upon it no longer as a collective investment asset but as an object for individual consumption: the means for every one of them to consume more, to improve its short-term position by increasing the advantages it withdraws from the common budget as part of the "fair return" which each one feels ought to give it the edge over all the others.

Among the contributing causes to the spread of the crisis, there is one that towers over all the rest: the more national economies grow, the more interdependent they become and the more, consequently, they stand in need stable and substantial international juridical and financial setting if they are to operate efficaciously. One of the most obvious points in this connection is the stability of currency and of exchange rates: everyone today clearly understands that persistent fluctuations in exchange rates, for economies involved in constant technical advances -- and thus more exposed abroad -- are a factor in declining productivity very nearly as grave as instability in weights and measures would be: What would we say if the meter and the kilogram changed definition day after day? (3) This is the way we assess the scope of the progress represented by the EMS which, without any institutional change, without any supranational constraint, encourages member countries to bring their economic policy closer to that of their neighbors, lacking which, should they hanker to play Lone Ranger, they would have to make considerably more severe sacrifices. It was that realization that led the socialist government elected in France in 1981 to stay in the EMS.

It is to this central necessity of parallel progress in the international organization, for international exchanges and for development of national economies that Article I of the Treaty of Rome, which we quoted earlier, referred. Well, when you look at it from this angle, the history of the last 10 years is a history of real regression: each member nation has tended to play Lone Ranger rather than to invest in common solutions. Accordingly, since 1974-75, we have been witness to a disorderly refusal to look at the logical consequences of the rise in the price of crude oil. Economic policies, which on the whole were similar during the preceding period, begin to diverge. Germany, which had begun its economic recovery prior to the Yom Kippur War, pursues a restrictive

policy, while Great Britain, Italy, and France opt for Keynesian policies which they would subsequently be obliged to abandon in disorder.

Of course, the ensuing phase brought a return to equilibrium in the foreign balance, which allowed room for better convergence in policy. This was also the time when the FRG, under urging from its partners and of the United States, to play the "locomotive" role by accepting a mounting budget deficit. And finally, it was the spring of 1979, just after the revolution in Iran that was to beget the second oil shock, that adoption of the European Monetary System was ratified, bringing with it, as we have seen, unquestionable progress in monetary cooperation and in the solidarity of the member states in this area.

By the same token, we must credit the Community for the perils it has averted, principal among them protectionism. The continuing freedom of trade within the Common Market is the more remarkable in that it had been designed in an era of growth and full employment and that it has survived stagnation, unemployment, and insecurity. And again, we can no longer say that expanding the Community to include Great Britain was not done with full respect for the "Community's shared achievement," since when the Council decided in April 1982 to peg farm prices to the ranking majority, Great Britain went along with the decision.

All these encouraging developments must not, however, lead us to forget the fact that never, since its creation a quarter-century ago, has the Common Market not been torn among divergent economic policies as well, whose inflation rates, which today run from 5 to 10 percent, give the measure of their soundness.

The Electronic Balkans

Musing about "future shock" in Europe, Krzysztof Pomian wondered if we might not be on the way to losing that "productive investment psychology" which, emerging here in the 17 century, made Europe the greatest industrial power in the world (4). And indeed, you have to step back to get the multi-century perspective needed to grasp both the revolutionary nature of electronics and of the new computer techniques, and the sudden sterility, the tragic blank that are characteristic of Europe in this context.

I cannot but be astonished when I hear, even now, some of our economists discoursing learnedly of the decline of the profitability of capital. Have they never left their libraries? Have they ever seen an automated cement plant, one where computerization has increased productivity by 1000 percent in a few brief years? Are they unaware that a multi-function robot costing \$100,000 is considerably cheaper than the updated value wage cost of a young worker, although the robot can very often replace five or ten such?

Don't they know that the service sector, which until now was a drag on the mean productivity of the economy, is now well on its way, and a revolutionary way it is, to industrialization via computer technology? And that everywhere, in the factory as in the bank, in the hospital as in the big bureaucracies, what is interfering with the possibility of lowering retail prices is certainly not low return on capital, but, on the contrary, is thought patterns, social resistance -- in a word, the readiness of the workers to accept these technological mutations?

Here we are at the crux of the problems of growth, of investment, and of jobs. In Europe, in the next 10 years, reasonable studies support the view that the number of jobs that will have been abolished may well reach 7 million or so. (5). That figure alone showed how vitally urgent it is for the European economy to create the greatest possible number of jobs in electronics production processes themselves? We are already beginning to see jobs disappearing as a result of electronics /right here/ in Europe, but the newly created jobs to replace them are increasingly to be found elsewhere, in Japan and in America.

All the studies show that Europe has missed its chance to get into the microelectronics revolution. This is the first time since the Renaissance that the major initiatives and innovations that make up an industrial revolution have not come out of Europe. Europe is missing out on the third industrial revolution, and doing it at the very time when the enormous buildup in Soviet military potential is creating a "window of vulnerability" in Western defenses, which will have grave consequences for the future of our economy (Cf. Annex).

The former director of the International Information Bureau (BRI) recently (6) underscored the crucial role played by the death of Stalin and progress in détente in the growth of investments in Europe which began in the mid-Fifties. What is more, growing economic difficulties in Europe, in addition to encouraging the rise of neutralism, make it increasingly difficult to finance military investments as we do other investments.

We all know the cliché: "The Balkans are a geographical expression." That comes down from the days of the first industrial revolution, the one of steam power. The Balkan countries were richly creative in learning and the arts, in geographical diversity, and in professional and vocational skills. Hard-working peoples, often with a gift for trade, they would probably have been able to become active participants in the first industrial revolution. In any event, they offered a situation enviable enough to arouse covetousness among the great powers of the time. But by then they were already "Balkanized," divided, left behind. They slid down the slope of relative underdevelopment to wind up being nothing more than a "geographical expression," because the dividing line between East and West separates them.

That is what is happening to Western Europe today, as it misses out on the third industrial revolution. The stakes, plainly, are beyond measure, and they include issues of a political and military order as well. Yet, for all that, when it comes to economic matters, we have what it takes by way of means and resources, but we are doing our level best to render them fruitless and sterile.

Among our resources is market demand, because Europe, where it is united, forms a market equivalent to that of the United States. We have the supply capability, too, because, among us, we can match the scientific, technical, and industrial capacities of our competitors. Taken together, the EEC countries actually spend more than twice as much money as Japan on research: from 1977 to 1981, credits assigned to microcomputers totalled \$500 million in the EEC, as against \$250 million in Japan, yet the Japanese have managed to overtake the United States and to capture 40 percent of the world microcomputer market, while Europe provides less than 10 percent. Why? For a lot of reasons, of course, but the main reason is certainly that /the word "Europe" can be used here only by way of irony. There is no Europe in this context. There is nothing but a non-Europe/ each of whose members still believes it can grow stronger by weakening the others, which means that the same expenditures which, in Japan, go into productive investments that create jobs are reduced, here, to wanton waste useful only as an alibi for the destruction of jobs.

This dates back quite some time. Back in 1964, a young director of the European Investment Bank (EIB) in charge of loans to member countries, proposed that its board of directors finance a project of common European interest involving the biggest computer company in the Six at the time. The project could easily have got all the necessary guarantees for the loan. Yet the majority of the board refused to consider it, without even looking at it.

On a more general level, at the very time when the whole promise of building a united Europe lay in the future-oriented sectors, where economies of scale count for most, a sort of sado-masochistic entropy set in among the power centers of the day, and made the Community's institutions concentrate on the sectors of the past and on those in which there would be little point in our being united.

The overall decline in industrial jobs in Europe, which is 1.5 percent per year on the average, can be explained in large measure by the fact that in relation to the loss of jobs in the traditional sectors, growth in the new sectors is not swift enough. This is quite logical: industrial policy bears primarily on the sectors of the past, first at the national level, but far more heavily at the Community level, where the policy-makers are specialists in protecting the faded glories of the past and thwarting the conquests of the future, very like France during the Thirties.

That particular simile, which came unbidden to mind, is not the fruit of the nostalgic dreams of this 50-year-old Frenchman. I came across it in the writing of one of Germany's most competent and most astute economists, Ludwig Schubert. Yes, the unavowed model for Europe during the Seventies is France during the Thirties, the France that "produced more coffins than cradles," and which, after engaging in every possible kind of craven cowardice, collapsed into defeat and collaboration with Hitlerian totalitarianism, falling down the same treacherous slope that engulfed the neutralists of the time.

Waiting for Godot

More aware in these days of the dangers -- albeit very late --, shaken and confused when the old remedies of Right and Left fail to work, threatened by the impatience of their constituencies, European governments are desperately scanning the horizons. We are no longer waiting for Godot, but for a miracle, a fairy godmother, a scrap of good news: recovery. It has become more than a magic word, a comforting incantation. Month after month, everybody claims to see signs of its imminent advent. It will come tomorrow, next month, next year... Early in 1983, nobody talked of anything else but "It." This time, there were not mere symptoms, but complete syndromes readily perceptible to the optimists: oil prices down, the dollar down, interest rates down, new records set on Wall Street. In France, in Germany, in Italy and elsewhere, the newspapers are doing everything they can to herald the end of the bleak "bad streak." The oracles are badly winded...

Unfortunately, we find only the trace of an echo of this somewhat forced optimism in the various reports from the specialized EEC and OECD services. Most of them, on the contrary, underscore the gravity of the obstacles to any lasting resumption of growth. Similarly, the latest medium-term projections afford a fairly somber picture of the future. One such is the effort to project to the 1987 horizon on the basis of the 1982-1983 annual economic performance record, sponsored by the Communities Commission. It postulates first that the economic policies now in effect in most member states will be pursued: priority to fighting inflation, tight money, and refusal to increase budget deficits even if the behavior of the automatic stabilizers tends to aggravate them. On these bases, and assuming a growth in world trade of around 3 percent, the projection winds up at some fairly mediocre predictions: weak growth (1.6 percent per year) in industrial production; persistent sluggishness -- except at the end of the projection period -- in productive investment; unemployment in excess of 10.5 percent, meaning 13 million people jobless before 1987. There is no escaping the conclusion: if policies are not changed, the Community will not pull itself free of the slow-growth pattern in which it has languished for so many years, and which steadily aggravates the unemployment problem.

National projections done in some countries read much the same. In France, the scenarios devised in preparation for drafting the 9th Plan (7) predict, no matter which "configurations" are assumed for the global economy, unemployment running between 9.2 and 10.1 percent of the work force, even despite major reduction in the work-week (to 35 hours in 1985 or 1988, according to circumstances).

We must not underestimate these mid-term projections: for a decade or so, they have generally been right in pinpointing the probable twists and turns in major trends: slowing growth, rising inflation and unemployment, etc. Established on the basis of computer models, they tend to underestimate some of the changes that have come about since 1970, along with their cumulative nature. That is what they showed for unemployment, for instance. The forecasts always turned out to be over-optimistic because the gathering speed of electronic progress could not -- and still cannot -- be factored into the equation. Similarly, because they could not make experience part of the computers' memories, they underestimate the factors which make any lasting economic stagnation automatically reinforce its own root causes. It makes the deficits it spawns both intolerable and intractable; it heightens the various sorts of resistance to change which initially aroused it, and deepens the need of government assistance to troubled companies; each passing day, it testifies anew to the validity of the rule that holds: in a deficit economy there can be only one priority, in the private as well as the public sector: those deficits must be financed to avoid catastrophe at the end of each month. We would add to that the impact of the enormous indebtedness which government agencies and enterprises are going to have to shoulder with inflation declining and with real interest rates still high, and it emerges with stark clarity that in the mid-term the trend-line for the European economies still approaches the horizontal.

A Despondent Continent?

The worst of it is that it will be very hard indeed for Europe to avoid skidding from stagnation into economic depression; more difficult in any case than it would have been to avoid slipping, as it has done for 10 years now, from 5-percent growth to zero.

For that matter, everything has gotten more difficult. Why? Because even at \$25 per barrel, the price of crude oil would be twice again as high after the first round of price hikes; because Japan and a great many other countries have grown stronger while Europe was growing weaker; and particularly because our successes, like our mistakes, have steadily aggravated the problems born of that crisis. Our biggest mistake was this: For a whole generation, thanks to strong growth, Europe's economies were in a position to satisfy /both/ the rise in consumption and investment,

the increased buying power of the individual, and the profits necessary for business to flourish. We have seen that this was no longer the case. When growth starts tending toward zero, the system grinds to a halt. That leaves two alternatives: either you assign priority to consumption -- as we did during the Seventies -- but you do so at the expense of profits, and hence of investments; or you decide to protect profits by solidly "maintaining" revenues, but if you do that, you won't have the demand drive to get investments flowing again.

When demand is missing, profits, instead of flowing into productive investments, go into financial paper. They are actually encouraged to do so by the current interest rates, which are still holding at astonishingly high levels. So it boils down to giving preference to stockholders rather than to entrepreneurs, to risk-free profits rather than venture investment. When you strive to break inflation, you break expansion. And that's why Europe is all but captive in the diabolical circle: less growth means less investment and more unemployment, hence less growth, and so on.

This machinery was bearable when we could afford to pay for the crisis on credit and to run into debt. That is what we did, as we have seen. Sacrificing the future to the present, however, could never be more than a stopgap. Public and private indebtedness now give us the measure of the problem, and show us that it is all the more pressingly urgent to solve it because it keeps making itself worse.

This is what is happening with mandatory withholding for social security taxes, whose continual increase is printed like some sort of genetic code in the demography of Europe, an aging society of, consequently, the costs of unemployment compensation, of health care, and retirement as well as the whole basket of socialized consumption, tend to rise at a particularly rapid pace, while, on the contrary, consumption among the young (housing or cars, for instance) are far more extensively market consumption -- insofar as the young are not out of work themselves...

Given these conditions, unless they straighten out their economies -- and the only way they can do that is to do it together -- the European nations today are unable to keep up at the past rate of development -- a system which, according to an invisible but inexorable process, levies ever heavier withholding taxes on individuals who work and continues the mechanical and psychological lamination of the foundation upon which it is built, meaning the production system itself; this effect is the more massive in that the social collection basket is passed more insistently to the employers, as is most markedly the case in France and Italy. More generally, though, the lack of entrepreneurial ginger becomes the inevitable result of the lack of resources available to enterprise once the state starts swallowing 50 percent of GNP.

Unemployment Blocks Investment In Europe

"The increasingly marked slowdown in growth over the past 9 years affects attitudes and opinions toward the future. In the wake of the first oil price-hike, business and industry could still view the strong growth of the Sixties as the norm to which the economy could return. In the Eighties, it seems more likely that the standard has undergone some downward revision. This change in expectations in itself constitutes a heavy obstacle to any rapid recovery, and any policy that lacks a convincing base for an upward revision of expectations is doomed to failure." (8)

The net creation of jobs in the EEC was, as we are told, almost zero from 1970 to 1982. Worse: one of the countries whose record was most dismal on this count is the one whose economy is still strongest: the FRG. Fancying that this trend could alter by itself would be a gross error. For that matter, nobody can believe any more that unemployment can be wiped out merely by an upturn in economic growth, nor yet in investments. Nor does anybody put any stock any more in the one solution certain to work in the short run -- as President Carter found out -- cutting back on productivity. Yet while the results achieved by a number of countries in the fight against inflation have exceeded expectations, nobody has yet managed, in 2 years, to cut down the level of unemployment.

That means that the growth-rate in Europe from now till 1990 will quite probably run below 2 percent; the working population will continue to increase by 1 percent each year, largely due to the decline in numbers of working women (9).

So we see that there is a very strong and persistent trend pushing unemployment to higher levels. Well, if unemployment continues to rise, it will do so at the cost of other social security services. Even now, the start of the Eighties has been scarred all over Europe by an initial panicky effort to halt the rise in health-care spending. Everywhere, governments are pressing the "slowdown" buttons, cutting back on reimbursement of expenses; in many countries, they have instituted admission deposits for hospital care, and even in The Netherlands, the preux chevalier of social protection, we see restrictions and a return to personal financing via such channels as voluntary insurance for citizens whose incomes and assets exceed a certain ceiling. And this is only the beginning: /the underlying trends, particularly the rising tide of unemployment, mean that within 10 years Europeans will have to pay most of their own hospital costs out of pocket.../ unless they make up their minds once again to buckle down seriously to building a united Europe.

Furthermore, in the presence of an America where unemployment constitutes almost no threat to either corporate health or to the public's taste for technical progress; contemplating Japan, which, in the big corporations, has managed to make the most

dazzling breakthroughs on a basis of lifetime job guarantees and continuing full employment, Europe must inevitably be more and more seriously handicapped in international competition by its 11 million unemployed, who may very well number 15 million well before 1990. This is the more likely in that, for the European society, unemployment behaves like a kind of cancer.

In the United States, with its individual performance society, cold and hard but dynamic, there has always been some unemployment, and it is the harder to bear when it is concentrated among the minorities, and does not stop the others from hoping that they will manage to make it on their own, or to go on believing in progress. Things are very different in Europe. Here, for those nations which, for a whole generation, have bet the farm on the possibility of doing what Beveridge calls "building full employment in a free society" by unparalleled expansion of all sorts of social protection, unemployment is fast becoming a mental illness. It is not the physical pain of empty bellies, but the psychosis of empty hearts, cancer of the soul. It is a cancer that is metastasizing to every vital organ of the society. It saps people's energy, depresses returns on investment, stirs opposition to new technologies, and leads to general demoralization. The devilish part of it is that civic consciousness itself is, in Europe, the victim of unemployment.

The Perversions of Civic Consciousness

The first of them surfaces at the national level and it is too familiar to all of us to spend much time on. I am talking about /protectionism/. Unemployment, like it or not, winds up sanctifying an appearance of civic consciousness, of solidarity in even the most perverse patterns of protectionism. Everybody knows perfectly well that a full-employment country that closes its borders may well harm the interests of its own people as much as those of its trade partners. But when certain imports spur factory shutdowns and lengthen the lines in front of the unemployment compensation windows, where does the national interest lie? What is the duty of the nation's political leaders? That, unfortunately, becomes dangerously less clear!

There is another perversion of civic consciousness: the one that tries to halt technological progress in the plants. Have you ever had occasion to ask a captain of industry: "Suppose you could -- tomorrow, finance and manage very profitably an investment that would require you to lay off 10 to 20 percent of your workers. Would you unhesitatingly opt for that investment?" I asked that very question of a number of CEOs in several European countries, and invariably I encountered a lot of hesitation on the part of my respondents. The fact is that, beyond a certain level of unemployment, here in Europe there is a sort of latent civic consciousness that nudges corporate directors into slacking off on investments rather than cutting their payrolls. And this

reaction sets off a /cumulative process of technicological lag/, the symptoms of which may perhaps be found in the fact that the two countries -- by far the most advanced in the field of robotization -- are the two developed countries that have managed best to maintain full employment: Japan and Sweden.

Take one example: early in 1983, a group of European industrialists toured a Nissan plant in Japan which has a fully automated assembly line. The tour was particularly interesting in that the top executive in charge of development for a major European automaker was a member of the tour group.

From a technical point of view, performances here are the same as they are over there. But the level of real automation is far less advanced in the European plant of the firm taking part in the tour because, in the words of that executive himself: "In order to achieve that same level, we should have to cut our payroll by a third, which is clearly impossible." The economic drawback is two-fold: it results in excessive costs for European-made vehicles, and a hand-welded body requires 5,000 welds, whereas a robot-welded car needs only 3,000 (10), and is twice as strong... which, when you come right down to it, means a few more jobs in Japan and a little more unemployment in Europe.

It is not only at the national level, though, or at the company level that unemployment distorts and perverts civic consciousness and the spirit of solidarity: it does the same nefarious work in the very depths of /the individual worker's conscience/: at that level, not only is unemployment a factor in labor's resistance to technical advancement, but it spreads the notion that by working a little less, but slackening one's efforts, the man who is lucky enough not to be on the compensation line is doing his bit to encourage the hiring of his fellow-workers standing in line at the factory gate or the office door... You find this to some degree or another everywhere: you see a decline in the operation of production and distribution circuits, including a steep rise in delays and error in the tertiary sectors of some economies.

And so it is that we, more than anybody else, find ourselves hit by the halt in growth since the first round of petroleum price-hikes, caught in the pincers of new competition that has sprung up where our lost monopolies once flourished, daunted by technological challenge and by the lure of neutralism, missing the boat on electronics and, for the first time in our history, missing an industrial revolution, forced to admit that we can no longer pay the price of the Protector State, and, most painful of all, doomed to a choice from which there is no appeal: understand, or pay the price. The awareness or the pain that is beginning to make us undergo this non-Europe, which has already led us into non-growth. That same non-Europe which, if things go on the way they are going, will become part of the landscape of everyday life in our country: the shutters won't be repainted any more, the hospitals and clinics

will be will be dilapidated and unswept, we shall go on closing down schools, and there will be more and more jobless, alienated kids snatching purses from old ladies.

ANNEX *

Europe Missed the Boat on the Micro-Electronic Revolution

Europe is in a position of weakness at the dawn of the third industrial revolution. Although it got off to a moderately good start in the race for biotechnologies or new and renewable energy sources, and while it managed not to be totally left out of the conquest of space, it has nevertheless almost wholly missed the boat on the micro-electronics revolution, the revolution that was born on the shores of the Pacific, in the United States and in Japan during the mid-Seventies, the revolution that is destined to leave its mark on the Eighties.

There is no getting away from the facts, as Table 1 shows. The first European manufacturer to make /integrated circuits/, Philips, is only in 11th place worldwide, although there is still room for an illusion or two in its ranking second in the manufacture of discrete semi-conductors, which belong with the technology of the past. The first European computer data-processing company, C.I.I.-H.B., stands tenth in the world ratings. Europe holds a poor third place among the world's manufacturers of digitally controlled machine-tools, trailing Japan and the United States; the first European builder of digitally controlled lathes, Germany's Gildmeister, ranks only fifth in the global ratings. A European firm, A.S.E.A., is seeded among the top ten robot-builders but... it's Swedish. The /consumer electronics field/ is dominated world-wide by Japan, although Philips has held the line in Europe: the Netherlands company holds only 20 percent of the video market, as against 80 percent controlled by Japan's JVC and Sony.

Finally, from 1978 to 1980, all EEC countries experienced a sharp decline in their share of the world market in electrical and electronic equipment (down from 16.5 percent for the FRG and from 6.8 to 6 percent for France), while the United States, and particularly Japan, enjoyed pronounced increases in their positions (cf. Table 2).

This overall diagnosis is disquieting, for at least three reasons.

In the first place, a good many markets from end to end of the electronic scale are developing very rapidly, but it is American or Japanese companies that are profiting by them, by and large.

In the second place, the production systems of both countries are more accustomed to computers and robotics and are hence more

competitive. The ratio of robot installations to wage-earners in industry is higher: in 1980, Japan had 10,000 wage-earners in industry, vs. 38 digitally-controlled machine-tools and 6 robots, the United States had 33 DCMTs and 1.6 robots, and the Community had 29 DCMTs and 1 robot.

And finally, Europe's technological autonomy is at stake. When international tensions rise, its ability to compete and its exports are directly threatened.

Has Europe lost the battle? The American integrated circuits experts think so. According to them, the European industry is going to be swept out of its own market: "The battle for dominance in this [integrated circuit] industry today is joined between American and Japanese manufacturers over sales on the European and American markets."

In other words, it is high time for Europe to wake up. It is not too late to pick up the gauntlet. The Japanese example shows us that spectacular results can be achieved in a very few years. If we are to do it, though, we must immediately intensify our research activities with an eye to anticipating tomorrow's innovations, and to overcoming weaknesses in our electronics sector. There are indeed European companies working in the sector, at all levels: but their output is inadequate:

- insofar as concerns high-performance /components/, for example, such as 16K RAM, the leading European manufacturer, Siemens in 1979 stood 13th in production worldwide with 875,000 units, only a twentieth of the output of the world leader, America's Mostek;

- in /data processing/, the European companies' volume of business in 1980 was not even half that of IBM: \$10 billion as against \$21 billion;

- in robotics, the volume of business done by the top French builder of robots in 1980 was a mere tenth of that of the world leader, American Unimation. A single plant belonging to Japan's Fujitsu Fanuc, with 100 workers, turns out 350 advanced robots per month as compared with a paltry 80 from all 15 French builders;

- as for consumer electronics, Sony and JVC turn out 10 times as many video tape recorders as does Philips. A single JVC plant employing 3,800 people produces a million video recorders each year, as against a mere 500,000 from all Philips plants.

In all, by comparison with their American and Japanese competitors, the slowness and dispersion of European companies are dominant, as evidenced at every level of the electronics industry.

* Source: "Which European Strategy for France?" Report by Jacques Moreau and Michel Richonnier for the General Planning Commission, LA DOCUMENTATION FRANCAISE, 1983.

TABLE I WEAKNESSES IN THE EUROPEAN ELECTRONICS INDUSTRY

A. COMPONENTS

a. Old technology:

WHERE EUROPE IS ACTIVE

Discrete semi-conductors (diodes, transistors...)

Standings by volume of business, in millions of 1979 dollars

1.	MOTOROLA (USA)	419
2.	PHILIPS (Netherlands)	290
3.	TEXAS INSTRUMENTS (USA)	260
4.	TOSHIBA (Japan)	242
5.	SIEMENS (Federal Republic of Germany)	206
6.	HITACHI (Japan)	204
7.	NIPPON ELECTRONICS COMPANY (Japan)	195
8.	MATSUSHITA (Japan)	134
9.	GENERAL ELECTRIC (USA)	126
10.	RCA (USA)	124
11.	FAIRCHILD (USA)	116
12.	AEG-TELEFUNKEN (FRG)	107

b. New technologies: WHERE EUROPE IS TRAILING

Integrated circuits (all)

Standings by volume of business, in millions of 1980 dollars

1.	TEXAS INSTRUMENTS (USA)	1,130
2.	NSC (USA)	720
3.	MOTOROLA (USA)	685
4.	INTEL (USA)	615
5.	FAIRCHILD (USA)	450
6.	NIPPON ELECTRONICS (Japan)	448
7.	SIGNETICS (USA)	390
8.	MOSTEK (USA)	330
9.	HITACHI (Japan)	316
10.	A. M. D. (USA)	290
11.	PHILIPS (Netherlands)	280
12.	SIEMENS (FRG)	150

Source: ELEKTRONIC ZEITUNG.

N.B. The volume of business cited for Philips does not include that of its American subsidiary, Signetics.

1. B. COMPUTERS
(Processing and production)

WHERE EUROPE IS TRAILING

Standings by volume of business, in billions of 1980 dollars

1.	IBS (USA)	21.4
2.	CDC (USA)	2.8
3.	DEC (USA)	2.4
4.	UNIVAC (USA)	2.3
5.	NCR (USA)	2.0
6.	FUJITSU (Japan)	1.7
7.	BURROUGHS (USA)	1.7
8.	H.I.S. (USA)	1.5
9.	HEWLETT-PACKARD (USA)	1.5
10.	CII-HB (France)	1.5
11.	ICL (UK)	1.4
12.	OLIVETTI (Italy)	1.4
13.	HITACHI (Japan)	1.1
14.	SIEMENS (FRG)	1.0

Source: TABLEAU DE BORD INFORMATIQUE. Pierre Ardoin, Consultant. Study for the Communities Commission.

1.C. ROBOTICS

(Digitally controlled machine-tools and robots)

a. Machine-tools (conventional and digitally controlled)

WHERE EUROPE IS HOLDING ITS OWN, BUT...

Production in billions of 1981 dollars

1.	UNITED STATES	5.2
2.	JAPAN	4.9
3.	FEDERAL REPUBLIC OF GERMANY	4.0
4.	USSR	3.2
5.	ITALY	1.4
6.	GREAT BRITAIN	0.9
7.	FRANCE	0.8
8.	SWITZERLAND	0.8

Source: USINE NOUVELLE.

b. DIGITALLY CONTROLLED MACHINE-TOOLS

WHERE EUROPE IS TRAILING

Number of machines manufactured

EXHIBIT 1

b.1. DIGITALLY CONTROLLED LATHES

Number produced in 1980

1. MORISEIKI (Japan)	3,000
2. OKUMA (Japan)	2,400
3. YAMASAKI (Japan)	2,160
4. IKEGAI (Japan)	1,560
5. GILDMEISTER (FRG)	600
6. WARNER & SWASEY (USA)	520
7. PONTIGLIA (Italy)	500
8. INDEX (Switzerland)	400
9. LEBLOND (USA)	360
10. CONCINNATI (USA)	355
11. ERNAULT-SOMUA (France)	300

SOURCE: Ministry for Industry.

b.2. MACHINING AND TOOLING UNITS

Number produced in 1980

1. JAPAN	5,231
2. USA	2,129
3. EUROPE	1,459

SOURCE: CEGIMO

c. ROBOTS: WHERE EUROPE IS TRAILING

Number of robots produced in 1981

1. JAPAN	11,000
2. USA	8,130
3. FRG	1,600
4. ITALY	1,300
5. FRANCE	1,037
6. SWITZERLAND	800
7. SWEDEN	560
8. GREAT BRITAIN	80

TOTAL EEC: 4,017

SOURCE: Ministry for Industry

TABLE 2 WORLD MARKET FOR ELECTRICAL AND ELECTRONIC EQUIPMENT

	1978	1979	1980	1981
World trade (in millions current US dollars)	103,105	125,014	150,216	152,546
Share of market held:				
FRANCE	6.8	7.0	6.6	6.0
GERMANY	16.5	15.4	14.2	12.5
ITALY	4.6	4.7	4.5	4.1
NETHERLANDS	4.9	4.7	4.2	3.6
UNITED KINGDOM	7.4	7.3	7.6	6.1
EEC	44.3	43.2	41.2	35.9
AELE	7.2	7.2	6.8	6.2
UNITED STATES	18.0	18.6	19.5	19.9
JAPAN	18.2	16.9	18.0	22.3
ASIA (1)	7.2	8.7	9.4	9.9
Other industrial countries (2)	2.0	2.6	2.7	2.8

(1) Excepting Japan and countries with state-controlled trade: China, North Korea, Mongolia, and Vietnam.

(2) Spain, Canada, Australia, and New Zealand.

FOOTNOTES

- (1) From 1950 to 1980, the United States' share of world GNP declined by half, from 50 percent to around 25 percent.
- (2) THE ECONOMIST (27 Nov 82) produced an estimate -- with all the requisite margin for error in such ventures -- of 11 percent for Germany, 16 percent for France, and 5 percent for Britain as the wage decrease necessary to restore corporate profits to their average level during the Sixties.
- (3) From this angle, the floating exchange rates that were initially designed to broaden the margin of autonomy for individual governments by endowing them with a little more "national sovereignty," turned out, in the event, to worsen the international crisis, and the globally generated constraints which resulted for each individual country, and hence to reduce its margin of autonomy in economic policy.
- (4) LE DEBAT, N° 7, December 1980

- (5) Just as the introduction of fuel oil brought about a decline in the working population engaged in farming from 30 percent to 5-10 percent in the space of a single generation, just as other reasonable studies conducted in America indicate that employment in industry could drop from 30 percent to 3 percent by 2010 (M. Pelissolo, General Planning Commission, Paris, 1982).
- (6) FINANCIAL TIMES, 23 November 1982
- (7) General Planning Commission, Paris. "Drafting the 9th Plan: Some Scenarios for Mid-Term Developments."
- (8) Alfred Steinherr: The Great Depression: Rerun in the Eighties? Brussels Commission Economic Studies, November 1982
- (9) Fifty percent in the EEC as against 60 percent in the United States: the difference represents 8 million people! Even if labor's productivity were not to top the 2-percent per year [increase] now occurring, there is a strong possibility that, sometime around 1990, we shall see an unemployment rate on the order of 20 percent in such countries as Belgium, The Netherlands, or Great Britain.
- (10) "Estimated" number of robots per 10,000 workers in 1980: Sweden, 8; Japan, 6; USA, 1.6; Federal Republic of Germany, 1.1; Italy, 0.9; France, 0.7; Great Britain, 0.3.

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CSO: 3519/73

SPD'S RAU ON PARTY'S APPROACH TO ECONOMIC ISSUES

Bonn VORWAERTS in German 27 Oct 83 p 21

[Interview with Johannes Rau, minister president of North Rhine-Westphalia and SPD vice chairman by Gode Japs; place and date not given: "CDU/CSU Not Giving the Working Man a Fair Shake"]

[Text] [Question] Mr Rau, are the positive results achieved by the SPD in the most recent Landtag elections an indication of the fact that the party has already recovered from its election debacle on 6 March ?

[Answer] As far as I am concerned, the initial conclusion to be drawn from these election results is that the CDU election promises have collapsed. They have not begun to bring about anything like guaranteed job training; anything like an economic upturn, a drop in unemployment or a reduction of the public debt. In that sense, the outcome of the election in Hesse and Bremen is first of all a no vote for Helmut Kohl policies. Secondly, it represents a recognition of the excellent job Holger Boerner and Hans Koschnick have been doing. Thirdly, I believe it is an indication of the fact that the SPD is once more being taken for what it really is—the advocate of the working man who is not getting a fair shake from the CDU/CSU policies. They are returning to the SPD fold—because they believe in us.

[Question] So you would say the SPD world is back in good order ?

[Answer] No, not at all. To conclude from these Landtag elections that the 6 March business was just an unfortunate accident and that now things are working again the way they should and that we stand poised, as it were, to reassume government responsibilities—that, I think, would be wrong.

[Question] What advice would you give to your friends in the party to win back the majority and return to power country-wide ?

[Answer] My first impression is that the new Bundestag fraction under Hans-Jochen Vogel's leadership is doing a good and focused job. The programs the fraction has already submitted or announced should gain us some points. Let me just mention the job and the economic policy proposals; also the matter of allocations for the communities and the proposals for sensible communal policies. This last point is particularly important because for starters we must gain new confidence in the communal elections.

[Question] What points should the SPD concentrate on ?

[Answer] I can only say that we must focus on the three main issues which have come up as if automatically in recent months and that we must address the voters' concerns on these. First of all, there is the issue of social justice and that also means full employment. Secondly, there is the question of how to make peace more secure. And the third question is whether we can make a contribution to reconciling technology with the natural environment. Those must be the areas with which the SPD must deal critically and in which we have to find the proper answers.

[Question] Let us start with your third point—the reconciliation between technology and the environment. What are the priorities in environmental policy ?

[Answer] For some time now we have been aware of our dying forests—which is a matter no one should belittle: not because we love our forests so much but because in the long run man cannot live, if the forest dies. In that sense, this is a particularly urgent matter. But as for environmental policies in general—they must pose the question in all fields how we can possibly justify before the coming generations the incursions we undertake into the natural environment in the name of the economy or our personal luxury.

[Question] That reminds me of that old hit, tune: "and who's going to pay for all that; who has that kind of money ?"

[Answer] In environmental policy, we have to go by an overall originator principle. All those involved—whether it be natural gas or oil, nuclear energy, coal or chemicals—all of industry, if you like, and the consumer, too, have to make a common contribution based on the originator principle. But there is no point in levying a forest tax, which is a burden on coal alone. Under those circumstances, you see, the competitive edge of nuclear energy would increase and nuclear energy burdens us with problems with which we will be confronted for thousands of years. No, what we need is the originator principle. That is the only way to work out an environment policy that gradually brings to a halt the massive exploitation of the environment in which we are presently engaged.

[Question] Many critics of the SPD are saying that your party does not possess the necessary economic qualifications...

[Answer] That accusation misses the point. What happened in the Bundestag election campaign was that we did not manage to explain our economic policy concepts in such a way that the individual voter felt they concerned him personally. We can see that there is not enough theoretical material available on economic attitudes and on distributive procedures in times without economic growth; nor is there any basic material on the ways of getting from quantitative to qualitative growth. But that is not just a shortcoming of the SPD but a shortcoming of all those who concern themselves with economic policy. It primarily amounts to a challenge to science and once the necessary work has been done, it will have a practical effect.

[Question] Do you think that government still has all the tools it needs to be able to cope with the problems of economic policy and jobs policy?

[Answer] I think the tools are all there. The question is whether those who use them have the proper attitude; in other words, whether they are using them expertly, with human beings and with jobs in mind. The large part which the world economy plays or the European economy—in the case of coal and steel—also has to be taken into consideration when one looks at these dislocations. And then, if a lot of people merely view the European Community as a kind of community bank and not as the investment of a number of individual states into a community, it becomes apparent that these tools are not being put to proper use.

[Question] Are there no national solutions to get over the world economic crisis?

[Answer] I have to say no to that, without any qualifications. And I must accuse the CDU of having made it appear—for the sake of party politics—during the final years of the Schmidt government that the causes for our economic crisis were national in origin because that was the only way they could make their political adversary responsible for it. The international interdependencies must not be covered up or veiled. This also applies to the major challenge of the eighties—which is the issue of shorter work weeks. In the long run, this problem can only be viewed and resolved on the international level.

[Question] But shorter work weeks cannot be possibly be the only way to get rid of unemployment.

[Answer] Certainly not; but in the absence of shorter work weeks no solution of the problem is possible at all. We must talk about diversified production and about how we can turn the seeming contradiction between the labor market and the ecology to our advantage by creating jobs in the environmental protection field. We must come up with new tools for regional structural policy. We need a great many building blocks. No one can step forward and say that he has the perfect recipe to produce full employment. But I can tell you one thing: the present policy

which subsidizes business by draining off the purchasing power of the masses cannot possibly produce a solution.

[Question] In the social assistance field, will the SPD have to rethink its position and get away from too much government—in the direction of more self-help?

[Answer] We cannot do without self-help and private initiative because the big organizations, by definition, tend to harass and smother the individual. We must have small self-help units. The only thing is that self-help has something to do with the self-realization of the individual; it should not have anything to do with reducing the load of the big institutions.

[Question] In other words, our retirement and social insurance system should be left the way it is?

[Answer] There is one self-help school of thought which says that all those who no longer need it should quit the insurance and retirement system. I do not think that is a good idea at all. That will simply build up solidarity among those who stick together because they have to. And they no longer have anyone who feels any solidarity with them. In other words, solidarity must always take in those who are in need of it and those who are able to provide it. We now have a Geissler-type self-help debate which makes it appear as though the little man has gotten big and can now say goodbye to solidarity. The many little men who remain may stay among themselves and try to make out somehow. That is even a policy with which one can win a majority—as some countries have shown. If I take care of 70 percent of the people and shove the remaining 30 percent out of bounds, I can still get a majority. But then I am no longer following a humane policy or one that has anything to do with solidarity. And that is why our concept of solidarity must also include those who themselves are not in need of it.

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CSO: 3620/51

INSTITUTES ISSUE FALL 1983 REPORT ON ECONOMY

West Berlin DIW WOCHENBERICHT in German 27 Oct 83 pp 517, 523-532

/Report by the following members of the Study Group of German Economic Research Institutes E.V. /registered association/, Essen: German Institute for Economic Research, Berlin (Institute for Cyclical Research); HWWA-Institute for Economic Research, Hamburg; Ifo Institute for Economic Research, Munich; Institute for World Economics at Kiel University; Rhenish-Westphalian Institute for Economic Research, Essen, completed in Essen on 21 October 1983: "The Situation of the World Economy and the West German Economy in Fall 1983"/

/Excerpt/ The economic recovery that had begun in the FRG at the turn of the year, initially continued with considerable impetus. Up to mid-year, total economic output rose so much that the decline in employment slowed noticeably, and unemployment rose very little. As factories worked near full capacity, productivity per working hour rose, the pressure of wage costs relaxed, and corporate profits revived strongly. After mid-year output no longer rose, but this was probably just a reaction to the earlier exceptional growth.

In the early months of the year the cost of living index had not risen, due mainly to the drop in prices of heating oil and gasoline. Subsequently it began to go up again. Contributory factors were the higher cost of imports (caused by devaluation), the increase in the value-added tax rate and, in recent months, the seasonally generated relative shortage of fruit and vegetables.

Up to mid-year, the revival was fueled exclusively by domestic demand. This was particularly noticeable for commercial investments and housing construction--both the recipients of fiscal concessions--and for private consumption. The fiscal concessions related almost entirely to measures adopted to encourage demand for a limited time, not to measures designed for the long-term improvement of growth conditions. The rise in private consumption was the result of a decline in savings, not of a corresponding increase in incomes.

Since the summer, orders from abroad have tended to rise again after earlier stagnation. This primarily reflects the economic recovery abroad. Moreover, the D-mark has been substantially devalued vis-a-vis important currencies, and this has strengthened the competitive capacity of German exporters.

Decline in Interest Rates Halted

Up to the spring, the D-mark had actually been revalued upward; its key exchange rates in the European Currency having been considerably raised in March. Soon after, though, the renewed upward movement of interest rates in the United States made for devaluation compared with the dollar. At the same time the D-mark was put under pressure vis-a-vis other currencies also, probably due to the fact that large amounts returned abroad after the D-mark's revaluation within the EWS /European Currency System⁷.

In the FRG itself the decline in interest rates ground to a stop in spring. The Bundesbank endeavored to restrict the expansion of the central bank money supply in excess of the money supply target. Taking into account the still rather precarious economic recovery and probably also with a view to the fact that the discount and advance rates had both been reduced by 1 percent as recently as March, it initially restrained only the banks' liquidity. As a consequence interest rates on the money market rose slightly. In early September the Bundesbank followed up this development by raising the advance rate from 5 percent to 5.5 percent. Interest rates rose more on the capital market than on the money market, because the demand for loans rose very high among corporations and building sponsors.

Interest rate increases largely contributed to the slackening of monetary expansion in the 6 summer months. While the central bank money supply had expanded in the early months of this year at an annual rate in excess of 10 percent, it rose at only a 6 percent rate in the months March-September. By comparison with the fourth quarter of 1982, however, it rose at an annual rate of 8 percent and was therefore well above the target limit.

Little Change in Budget Deficit

Financial policy aimed to limit the budget deficit as well as to encourage housing construction and entrepreneurial investments. The measures to limit the deficit affected mainly income transfers as well as spending on government consumption. Moreover taxes and social security contributions were raised.

Spending by territorial authorities rose at a rate of almost 3 percent this year, less than last year; tax yields, on the other hand, increased by 4 percent, twice as fast as in 1982.

The 1983 deficit of the territorial authorities declined by DM6.5 billion to DM56 billion. However, this decline was largely at the expense of social security, because the Federal Government substantially cut subsidies. As a result the social security system's DM7.5 billion surplus of 1982 was almost exhausted, although spending rose only half as much as last year. Despite lower contributions, health insurance will continue to have a surplus, mainly because the decline in sickness status and the expansion of the insured's share of payments have tended to restrain the rise in costs. On the other hand the deficit of the pension insurance system will increase, because unemployment insurance is receiving fewer federal subsidies and, therefore, cutting its own payments to social security insurance. The total budget deficit remains unchanged at DM55.5 billion.

Strong Rise in Corporate Investments

Consequent upon the demand push brought about by the investment subsidy, equipment investments have increased considerably. At the same time, general investment conditions also improved. Though interest rates have not declined any further, corporate profits have improved a great deal, especially as the result of less pressure on costs, rather less than as the result of higher prices.

The fact that deliveries followed so rapidly on the demand push, is due not least to the concentration of demand on goods that were either in stock or could be produced quickly, such as vehicles or data processing equipment. In the case of machine construction, on the other hand, the time spread between order placement and delivery is fairly wide, although the investment subsidy resulted in relatively few additional orders here.

Commercial building investments also rose again, but far less so than equipment investments. This is so because the grant of the investment subsidy for buildings requires completion only at the end of 1984. The sectors with a relatively strong expansion of building activities include agriculture, energy supply, the Federal Railway and the Federal Post Office. The Federal Railway began the construction of new sections, the Federal Post Office the expansion of the cable network.

Other than in the second half of 1982, companies no longer cut their stock investments but instead increased them substantially. This applies to raw materials and primarily products as well as to finished goods. Only the structurally weak industries recorded an involuntary increase in stocks.

Housing Construction Improvement

The demand for housing has been on the rise since early last year. This is due in part to more favorable interest terms but mainly to measures decided in 1982 and 1983 for the benefit of housing construction. In addition the tax concessions designed to benefit modernization projects and energy conservation came near their expiration dates. The considerable revival of demand resulted in the recovery of housing construction that had been much affected by the recession. The recovery would have been even greater had the spring weather been more clement.

Expansion of Private Consumption Interrupted

Following the abrupt rise at the beginning of the year, private consumption continued at a high level. Households tended to raid savings or increase their borrowing. The savings rate dropped by 1.5 percent from last fall to this summer; this involved the expansion of spending by DM8 billion. Important in this process was the freeing of premium-carrying savings as well as the decline in interest rates that lasted up to the spring; both made it easier for households to satisfy their long repressed wishes for the purchase of cars and furnishings.

Consumption was not backed by improvements in earnings: Incomes earned from employment continued to decline because the rise in hourly wages was balanced by reduced employment and increases in social security contributions. Incomes from state

transfers rose very little, because services were cut, pensioners made to pay contributions to health insurance, and the increase in social security payments was postponed from the beginning to the middle of the year.

Exports Bottomed Out

The stagnation of orders from abroad and of goods exports had lasted from fall 1982 to the early summer. It was succeeded by a rise. This revival is due to the improvement of the economies in the Western industrial countries and the strengthening of the FRG's competitive capacity by the devaluation of the D-mark.

While exports to the United States had already recorded a hefty upsurge from the beginning of 1983 on as a result of U.S. economic recovery, exports now have also revived to other countries. On the other hand deliveries to the OPEC countries have declined even more; due to the drop in their export earnings, they have been compelled to stretch their development plans and restrain imports.

Unexpectedly Strong Expansion of Output

In the course of the first half year, the real gross national product rose at an annual rate of 5 percent--a surprisingly strong showing. After mid-year output definitely lost impetus, but this is not to be considered a change in the basic trend. While this was initially exaggerated on the plus side, consequent upon special factors such as the sudden rise in consumption, the mid-year reaction tended to be exaggerated on the minus side.

Considerable Slowing of the Rise in Unemployment

The favorable trend of output meant that productivity recorded its first healthy rise in a long time, due to an improvement in capacity utilization. At the same time short-time work dropped sharply, the decline in employment slowed down, and the growth of unemployment weakened noticeably. Short-time work is now confined mainly to structurally weak industries such as mining and the iron producing industry; it is also still high in machine construction.

The drop in the numbers of paid employees in the last 6 months amounted to 130,000--a third of that of the previous 6 months. The construction industry actually hired additional labor. The seasonally adjusted numbers of registered unemployed did not increase lately. Admittedly this is due to a streamlining of the files; failing this unemployment figures would have been higher again, although far less so than before. In addition to the lessening in the decline of employment, the slowing of the increase in unemployment figures may have been helped by the fact that the potential of job seekers is growing less rapidly now. Moreover, many have ceased to try for a job because they do not consider their chances for employment good enough; the latent reserve has therefore grown. Some of them may have relocated in the shadow economy.

Though the economy made available more trainee jobs than in earlier years, the imbalance on the apprenticeship market has not yet been eliminated. At end September 60,000 youths were still haunting the employment exchanges for trainee jobs; only 20,000 vacancies were registered. This imbalance was made worse because far more youths with higher education are competing for on-the-job training.

Inflation Rate Slightly Higher

In the early months of this year, the domestic price level was subject to restraining influences from abroad. Since early summer this situation has been reversed. The rise in prices of the majority of raw materials is no longer compensated by a reduction in the prices of crude oil. Moreover, as the result of the D-mark's devaluation, the majority of imports have become more expensive. This foreign trade effect was admittedly offset by domestic cost trends. In fact wage costs per product unit have temporarily declined. The rise in the producer prices of manufactured products has been relatively slight.

Inflation was greater at the consumer level. A contributing factor here was the rise in the value-added tax rates at mid-year, though it was not always fully passed on; another one was the 25 percent increase in radio and television fees. Finally the inflationary trend was reinforced by poor harvests of fruit, vegetables and potatoes. After speeding up early in the year, the rise in rents for residential accommodation has slackened once more. Generally the cost of living rose at an annual rate of slightly more than 4 percent in the summer half (seasonally adjusted).

Consequent on the improvement of demand and production, building prices have risen again, especially for housing construction. In August the previous year's level was exceeded by 2.5 percent.

Current Account Surplus Temporarily Reduced

The strong expansion of demand and production went hand in hand with a lively increase in goods imports. In conjunction with restocking, imports of primary products in particular recorded a rise, while the upsurge in private consumption resulted mainly in imports of cars and other durable consumer goods.

In addition the terms of trade worsened as a consequence of the rise in raw material prices and the D-mark devaluation; the surplus in goods traffic initially declined quite sharply. On the other hand we recorded a drop in the deficit in the balance of services, mainly due to the downward trend of interest payments abroad. The surplus in the current account shrank. After mid-year the credit balance in the balance of trade once again increased and, concurrently, so did the credit balance in the current account.

Outlook

In the fall production is likely to regain the upward movement of the first half. This will be helped mainly by investments, because equipment must be delivered by the end of the year to be eligible for the investment subsidy. Exports also will help along the upward movement.

The distinct rise in corporate profits and the more optimistic assessment of sales prospects point to the persistence of the revival in the coming year. What uncertainty there is, concerns its strength and duration because it is difficult to judge to what extent the recovery of investments is caused by temporary incentives alone.

The forecast is based on the following assumptions:

- While the payment problems of important Latin American developing countries have been temporarily eased by the coordinated action of creditor banks, international organizations and the countries affected, they have not been resolved and will represent a burden for world economic development. We assume that it will be possible next year also to keep the crises in check.
- World trade will continue to grow. The competitive capacity of German exporters in terms of price will remain great even if the D-mark's exchange rate vis-a-vis the dollar were to recover to some extent--a factor assumed in this forecast. Within the EWS, differences between the cost/price development in the FRG and the partner countries will continue to be equalized by adjustments of the exchange rates.
- Oil supplies remain plentiful, no price pushes occur. It is therefore assumed that political conflict will not seriously affect supplies.
- In the matter of financial policy it is assumed that the measures heralded in the companion legislation to the federal budget will take effect.
- Monetary policy will try this year to conduct the central bank money supply close to the upper rim of the target funnel. Next year the Bundesbank will expand the money supply by about 5 percent current annual rate, consonant with the potential-appropriate path. Taking into account the other determinants also, interest rates may be expected to display a slightly declining tendency.
- The coming round of wage negotiations will be accompanied by negotiations on cutting working hours. These negotiations will be very tough and cast a dark shadow on the market climate. For the purposes of this ofrecast it has been assumed that possible agreements will not yet result in a considerable cut in 1984 working hours.

The development in the period encompassed by the forecast will not, however, be decided by the afore mentioned assumptions alone. Other very influential factors are the incentives provided by monetary and fiscal policy in 1982 and 1983.

Impluses Arising from Foreign Demand

The revival of the economy in the industrial countries has been reflected since mid-year in the receipt of orders from abroad. It is to be expected that the rise in demand and exports will continue next year. It will be backed most of all by trade with the industrial countries. As the recovery in these countries--like in the FRG itself--trickles down to other regions, opportunities for exports to these regions will also improve slightly. This holds true for the OPEC countries and other developing countries where export earnings are rising once again. The continuing relatively low value of the D-mark by comparison with the dollar and the yen will benefit the competitive capacity of German suppliers.

On the other hand, neither France nor Italy--two of our most important customer countries--are likely much to increase their imports from the Federal Republic at least until late next year. Prospects for exports to the state trading countries

also remain dim, with the exception of the Soviet Union. In general we assume a 4 percent annual average growth of goods exports in 1984.

Corporate Investments Continuing to Rise

In the coming months equipment investments will definitely grow, because goods need to be delivered by the end of the year for corporations to claim the investment subsidy.

To some extent investments are likely to be merely anticipated. We must therefore expect a decline in early 1984. In the meantime, though, investment conditions as such have improved; that applies above all to the profit situation in the corporations. They are more and more able to finance investments from own resources. Moreover, borrowing is likely to become somewhat cheaper.

Commercial building construction will grow strongly until the end of 1984, backed by large stocks of orders. This is due to the fact that buildings need to be completed by then to claim the investment subsidy.

Corporate fixed investments will increase by slightly more than 4 percent in 1984; the rise will be somewhat greater for buildings than for equipment.

Backed by programs of fiscal encouragement and lower interest rates, the recovery of housing construction will continue, especially because some concessions can be claimed only for buildings completed in 1984. Generally, real housing construction investments are likely to rise by an annual average of 6 percent in 1984, following roughly 5 percent this year.

Public building investments will once again be lower this year than last, but an upward trend is indicated for the future. In any case, orders have suggested such an upward trend for some time past.

Ever since last spring, construction firms have used the improved order situation to raise prices. Next year's level of construction prices is likely to be 3-4 percent higher than now.

Private Consumption Rising Little

In the months ahead, private consumption will again be largely determined by the trend of real incomes and rise only very slowly.

In the course of next year the earnings of employees will grow at a slightly faster rate in view of the expected slow-down in the decline of employment and increases in standard wages in about the same dimension as this year. Including transfers, withdrawn profits and investment income, private households will be able to dispose of incomes increased by 3.5 percent.

The inclination to save of private households will presumably remain low. This assumption is based on the fact that the incentives for saving provided by interest rates will not be greater nor those for borrowing less, and that the thrift motive is likely to be pushed in the background if the rise in unemployment is only slight. Moreover we still see more young households with a relatively low savings rate.

If the expectation of further only moderate price increases is met, we will see an about 1 percent rise in real private consumption. As once again purchases of durable goods--such as cars, furniture, household equipment and other furnishings--are likely to be foremost, the sales of many other goods will stagnate if not decline.

Clear Reduction in the Budget Deficit

In past years government endeavors to reduce deficits by spending cuts and higher taxation repeatedly failed due to recession-related extra spending and lower revenues. For next year we foresee the first signs of a definite reduction of the budget deficit.

Other than lowering the deficit, fiscal policy pursues the goal of easing pressure on enterprises; the additional revenues arising from the increase in the value-added tax rates will to some extent be used to facilitate depreciations and reduce the property tax; revenues from the investment aid levy are to encourage housing construction.

The direct effects of consolidation affect private households alone: Bringing pension adjustments "up to date," raising pensioner contributions to health insurance, restrictions on the receipt of services from unemployment insurance and welfare as well as cuts in maternity benefits will restrict the increase in income transfers to about 2 percent.

Restraints on hiring and purchases will keep the rise in government consumption low. While spending on interest payments will increase at a lower rate, it will still be greater than all other types of spending. Subsidies will presumably not be cut but rather increased. Overall government spending is expected to grow by just about 3 percent, in other words decidedly less than the nominal gross national product.

On the other hand tax yield--at just above 5 percent--will rise somewhat more than the nominal gross national product, despite the relief regarding property tax and the lower revenues due, for example, to the deduction for interest payments on loans. Revenues arising from contributions to social insurance will increase at almost the same rate as the tax yield; the increase in the rates of contribution and the expansion of the determination basis are of considerable importance in this context.

In 1984 social insurance will achieve a total financial surplus of about DM5 billion. The deficit of the regional authorities will decrease by more than DM7 billion, so that the state deficit will be reduced by about DM12 billion compared with 1983. And this despite our having assumed a slightly lower profit tax payment by the German Bundesbank.

Continuing Rise in Total Output

Total output will rise again in the last third of this year. Crucial are the rise of exports and the growth of equipment investments due to the expiration of the tax concessions. Added to all this is the growth of construction operations. In the course of the year the real gross national product--adjusted by working day--will have risen by 3 percent; in the average of the year this is equivalent to a 1 percent growth.

Next year the rise in total output will continue but tend to slow in the course of the year. Nevertheless the growth rate of 1984 is expected to be 2 percent, higher than in 1983.¹

Only Slight Decrease in Employment

The rise in total output is too small to thoroughly change the labor market situation; still, employment is unlikely to decline much further. This will probably happen not because fewer jobs will have to be abolished but because employment figures will increase again in some industries, especially construction and vehicle construction.

In the average of 1984 the employment figure is likely to be about 100,000 or 0.5 percent lower than this year. For 1983 we must expect a decline by about 450,000 or 2 percent.

As in 1983, the 1984 potential of gainfully employable persons will display a far weaker rise than in former years, because the demographically determined increase is weakening and to some extent compensated by the emigration of aliens. Taking into account the expected withdrawal of potentially gainfully employable persons to the latent reserve and disregarding the possible clearing-out of files, unemployment figures are likely to rise to the extent to which employment declines. In the average of 1983, 2.3 million people are expected to be registered as unemployed, some 2.4 million in 1984.

Continuing Surplus in the Current Account

The moderate rise in total demand and the largely completed adjustment of raw material stocks to the higher level of output lead us to expect that goods imports will rise rather slowly from now on.

Following the sharp increase in imports in the first half, the real foreign contribution will be lower in 1983 than in the previous year. The more favorable terms of trade in the average of the year will result in a higher nominal foreign contribution. This improvement will continue next year, albeit on the basis of a larger real surplus achieved at relatively unchanged terms of trade. The current account surplus will amount to about DM10 billion this year, a little more next year.

Inflation Rate Staying Low

Many factors indicate that inflation will be relatively minor in the further course of this year and in 1984: The D-mark will tend once again to gain in value, so that we may expect import prices to settle down. The rise in total wage costs per item will also be low at about 1 percent. Due to poor harvests, seasonal goods, on the other hand, will be definitely more expensive in the months to come. On the whole the increase in the cost of living will be about 3 percent in 1984, the same as the average for this year.

1. The Institute for World Economy, Kiel, considers likely a stronger cyclical trend in the forecast period than the other institutes: Based on the strong expansion of the money supply until well in 1983, domestic spending is expected to rise substantially until next summer. In 1984 the growth of the real gross national product will amount to 2.5-3 percent, though the upward economic trend may well slacken in the second half.

Reflections on Economic Policy

The recovery of the FRG economy is more definite than had been expected even last spring by the institutes involved in the common forecast. The economic incentives supplied by monetary and, to some extent, fiscal policy--especially in the form of the housing construction promotion and the investment subsidy--were surprisingly effective in terms of the economy. This success benefited from the fact that the inflation of import prices due to exchange rates had ceased and wage increases declined. Moreover, the economy turned more optimistic in its expectations of future economic policy at the time the government changed hands.

Uncertainty persists regarding the duration and strength of the economic recovery. True, it is expected that the upward movement will continue in 1984. However, it is still not certain whether a self-supporting upturn will develop. This uncertainty results from the persisting world economic hazards (see the world economic section of this joint forecast); but the main reasons concern the domestic economy. It appears a serious matter that we still lack the economic policy that--heralded as the "turn-around"--promised to abolish fundamental obstacles on the way to increased growth and more employment. Another handicap is likely to be the claim for the introduction of the 35-hour week.

The question also arises whether the government actually obstructs economic recovery by its consolidation policy. The development of the budget deficit--exactly the same in 1983 as last year--is not an adequate yardstick. Dividing the deficit into a cyclical and a structural part does not yield a satisfactory result due to the serious problems of demarcation. Instead we need a comprehensive analysis of the effects of various fiscal measures, and we must also remember that economic effect and fiscal repercussions often fail to occur in the same year. Another factor to be included in the general verdict on fiscal policy is confidence--created by the reorientation of policy. Official announcements may have had temporary effects, and the surprisingly heavy call on the investment subsidy and the housing construction promotion may be attributed to that factor.

The issue of "excess consolidation" is more urgent for 1984. The immediate effects of fiscal measures--those already in force and those envisaged--must be assessed as highly restrictive. This need not be objectionable provided they are offset by the corresponding gain in confidence in the improvement of growth conditions as the consequence of the reorientation of economic policy. Instead, though, doubts are multiplying because the methods used for consolidation do not correspond to these requirements in many important points. This is most pronounced with regard to the further increase in the tax burden. Evidently political strength is lacking for carrying out suitable corrections of spending; and it is significant that subsidies are being expanded instead of cut.

With respect to regulative policy, reorientation also is still outstanding. Tasks such as the reduction of superfluous regulations, de-bureaucratization and greater ease of access to the market--to list only some of the outstanding items--have barely been tackled. In some cases bureaucratization has indeed grown stronger, for example by the introduction of income limits for the receipt of family allowances and the collection of the compulsory loan. In general the impression is gaining ground that the proclaimed "change" in economic, fiscal and social policy

is being reduced to a policy aiming only at lowering the budget deficit. However important such a reduction is, it may only be part of an overall strategy designed to permit us to return to strong economic growth.

Monetary policy will best contribute to the reinforcement and consolidation of growth as well as to the reduction in unemployment provided the money supply is expanded so as not to obstruct the growth of the production potential and, at the same time, limits it so that inflationary expectations continue to be held down. The medium term growth rate of the production potential should represent the basis for assessing the money supply with a view to its appropriateness from the aspect of stabilization and potential. If the Bundesbank were to consider only the currently depressed growth rate of the potential (about 2 percent), growth might be set unduly narrow limits (in monetary terms). Considering the stabilization of the total price level, it appears that the return of the growth rate to 2.5 percent in 1984 is not an overambitious target.

In 1983 the central bank money supply rose more than the Bundesbank had wished. It may be tempted to confine the "monetary excess" caused thereby by expanding next year's money supply less than would be appropriate to the projected norm in terms of stabilization and potential. As the economy is likely to have pretty much adjusted to the greater money supply, no substantial deviation from the projected norm should occur. Based on these perceptions, an about 5 percent expansion of the central bank money supply appears appropriate for the course of the coming year.

It is not always possible to avoid divergences in the actual development from the target path. Setting error limits may counter the danger of even slight divergences being considered to involve missing the target and arouse demands for monetary corrections. At the same time the spread should be narrow enough not to leave scope for various monetary strategies making the expansion of the money supply dependent on the development of the exchange rate, prices or business trends.

In the matter of wage policy, we will again have to take account of the fact that manpower as a whole has ceased to be in short supply; on the contrary, it will be necessary to remove considerable underemployment. The scope for wage increases is therefore smaller than it would be if we were to consider only the traditional rules of wage policy, such as orientation to productivity improvements or cost level neutrality. Also extremely important is more differentiation of wages by industries, regions and skills.

On Cuts in Working Hours

Public opinion often considers cuts in working hours to be a decisive contribution to lower unemployment and the resolution of other economic, social and ecological ills. Some labor unions wish to lower the retirement age, others ask that the total working week be cut to 35 hours. The Federal Government intimates that it intends to create the legislative framework for earlier retirement.

Whether cuts in working hours may achieve the desired goals will also depend on the possibility or otherwise of realizing the wishes of individual citizens by the new regulations. Neither politicians nor wage negotiators nor economists are sufficiently familiar with these wishes. For this reason regulations on working hours

ought not to be rigid but allow the widest scope possible for individual agreement. Moreover, they should be so organized as to avoid some people benefiting at the expense of others, and this can be achieved only when the beneficiary is made to shoulder some of the costs.

If early retirement is agreed without actuarial deductions, the person taking early retirement would be promised social security payments at the expense of others. This would further reduce performance incentives. Even with actuarial deductions, the financing of social security pensions will be subject to serious problems for a lengthy transitional period, because contributions fall away while there are more pensioners. And all this at a time when the financing of retirement pensions offers a ticklish problem anyway, due to the increasingly unfavorable age structure of the German population.

In any case, the effect on employment is likely to be slight. If actuarial deductions occur, the offer will probably not be all too often accepted; if no such deductions take place, it will be accepted more readily, but the persons concerned will continue to try for gainful employment. That could not be prevented even by a ban on "pensioner employment" that, in any case, would run totally counter to the basic conception of a free constitution of the labor market. Such a ban, if enforced, would merely result in a transfer to the shadow economy.

The employment effect of such a more flexible retirement would be greater only if those were right, who claim that our citizens' needs are largely met, and that self-realization in other than paid employment is a priority.

Basically similar objections arise with regard to a negotiated cut in the working week. This presents even more of a hazard than other regulations concerning cuts in working hours, because it is most likely that the costs arising may not be adequately perceived and taken into account.

If the working week were to be reduced from 40 hours to 35 hours, that is by 12.5 percent, in the course of 6 years without adversely affecting corporate profits, potential wage increases will be so reduced that real wages would at least fail to rise in these years--following years of decline in real wages. If the appropriate wage restraint failed to be exercised, rationalization would have to be emphasized or some kinds of production give up altogether; in both cases the effects on employment are bound to be negative. These problems would be even more serious if weekly working hours were to be cut within a shorter delay.

If, therefore, the cut in the working week were to have a positive effect on employment, it would have to be cost neutral, in other words linked to loss of earnings. If that were to happen on a compulsory basis, evasive actions would have to be expected from the employees affected, not least migration to the shadow economy. Moreover, in the course of such general regulations we would see a 'rationing' of that manpower which is still in short supply, and this would be bound to damage competitive capacity and growth.

We must therefore remember that a general cut in the working week will have negligible--if any--effects on employment, obstruct growth and proceed at the expense of otherwise possible increases in income.

Instead of replacing old with new rigidities, it would be better to create regulations that take account of individual differences in the needs of employees and the requirements of business. Increasing use should therefore be made of the possibilities of job sharing, part-time work and shift operations combined with cuts in individual working hours.

On the Reform of the Income Tax Rate

The Federal Government has announced its intention to reform the income tax rate and to definitely reduce the wage and income tax burden. The decision is to be made in spring 1984.

Growth considerations are crucial for the reform. Reform should encourage the readiness to do more, acquire more skills, invest more and accept greater investment risks. To achieve this, it would be necessary to reduce the critical load at all income levels, in other words the extent of the progression of income tax rates. It is wrong to claim that the lower income groups must be helped first in order to stimulate consumption. True, from the business aspect it would be welcome for the reform to have a positive effect on general demand, but this is not the decisive consideration.

The tax rate must be progressive throughout so that--in contrast to current usage--the threshold tax rate rises equally up to the top rate with a rise of income. This could happen by distingly lowering the taxation threshold while having the top rate apply at a much higher income level than hitherto.

Such tax relief would not be proportional in all income groups, and this would need to be accepted because it would get rid of the inconsistencies in the income tax rates now in effect.

An appreciable correction of this kind will, in the "first round," result in a computed revenue loss in the dimension of DM20 billion. If, at the same time, tax concessions and other subsidies were to be cut (see the remarks on subsidies), the rise in the deficit may be considerably less even in the first year of the reform. In the medium term the deficit will be substantially lower, because the correction of the income tax rate and the reduction in subsidies will lessen distortions, inspire growth and bring about higher incomes. If taxes were to take less of a bite, the shift of economic activities to the shadow economy would most likely slacken also.

According to the Federal Government's conceptions, the reform of the income tax rate is also to be used to relieve families with children. To be considered among other ideas is the concept of family splitting instead of the current spouse splitting. Evidently some of the ensuing loss of revenues is to be balanced by raising taxes for unmarried people and families without children. However this would run counter to the central principle of the reform of the income tax rate--the easing of the critical load for all income recipients.

On Subsidies

An economic policy basically appealing to a sense of responsibility and performance while restraining government interference, requires the resolute diminution of subsidies and similar tax concessions. The continued government support of some kinds of manufacture results in overproduction and inefficient production methods. Economic success is then more dependent on the knowledge how to obtain state aid than on competitive capacity. Moreover, government benefits granted one producer, disadvantage his competitors. As aid is usually granted large corporations, the very survival of small firms tends to be at risk. This is not always quite so obvious as it has been lately in the steel industry. Usually the negative effects of government subsidies tend to be indirect. Subsidies need to be paid for by all those involved in the economy--in the form of higher taxes and contributions as well as of higher interest rates.

Subsidies often derive from national security needs. This applies to government aid for the production of essential goods or weapons. Instead of unthinkingly accepting such goals of self-sufficiency, we would do well to examine the cost of the resulting renunciation of the benefits of the international division of labor. It is doubtful, for example, whether subsidies for large-scale coal production better respond to the security interests of the Federal Republic than a less rapid diminution of this valuable resource. Similarly we might well criticize the encouragement of intensive agriculture, given the obvious shortage of intact environment--all the more as intensive farming generally results in excess production.

If subsidies are granted to make adjustment processes socially more acceptable or to more rapidly promote young industries, they must be awarded for a strictly limited time only--a requirement that actually arises from their very justification.

In addition to theoretical reasons, pragmatism advocates restraint in the matter of subsidies. This also applies to the direct encouragement of applied research, even if future technology is involved; often this is merely an excuse for bloated spending. On the other hand, government aid to basic research is defensible because the results are usually made available to everybody involved in economic life.

The gradual reduction of subsidies and the corresponding tax concessions heralded by the government represent an important component of an offensive and growth encouraging strategy. Included in the catalogue of subsidies to be reviewed must be the encouragement of monetary wealth formation, the encouragement of housing construction and the tax privileges represented by various exemptions. Corrections with respect to aid for farming, coal mining, the steel industry and shipbuilding are equally overdue. Wherever aid continues to be extended, the beneficiaries will most definitely have to share in the burden of adjustment.

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The German Institute for Economic Research (DIW) does not share the other institutes' relatively pessimistic assessment of the effects of cuts in working hours. This applies especially to cuts in the working week. The extent of their effect on employment will largely depend on the regulations to be agreed for the duration of

the transitional stage to the 35-hour week and for wage equalization; they will also be much affected by economic and--more especially--fiscal policy. If the enterprises have sufficient time to adjust, the positive effects on employment are likely to be greater than in the case of undue haste. Available as an increase in real wages will be that part of the productivity improvement (per hour) that exceeds the annual percentage decline in the working week, including the advance in productivity induced by the actual cut in working hours. We need not, therefore, necessarily expect individual real income to drop nor corporate costs to increase. In fact, the sum total of real wages will rise even more once the employment figures are on the increase. The jobless who return to work will enjoy a healthy improvement in their real incomes.

Of course these positive effects on employment will not be felt quickly. Despite some initial difficulties in the stage of transformation, the additional improvement in productivity as well as equalization by overtime are likely to predominate. The DIW lately described these connections in great detail.

Of course the DIW does not consider cuts in working hours to be the panacea for a satisfactory reduction in unemployment. Employment impulses arising from economic growth are indispensable for dealing with this problem. Presumably the employment effects induced by a cut in working hours will be more appreciable in a dynamic than in a stagnating economy. If the growth impetus of the private sector were to be inadequate, the government must even now be called upon to provide incentives. This may be done either by changes with respect to revenues or to spending.

The successes the government has scored in the past 2 years with regard to consolidation have been vitiated by negative economic factors. Deficits did not decline. The outlook for 1984 is for a stronger economy and, therefore, a noticeable reduction in the deficits. This trend may well continue in 1985, so that the hitherto dominant consolidation target will lose some of its urgency. At the same time it is possible for the necessity for government economic stimulation to be greater at that stage. The government would then be confronted with the question whether to stimulate the economy by lowering taxes or by raising spending, especially on public investments. Large sections of the public call for a reform of the tax rate with a view to considerable tax relief, just as the other institutes describe. Should the government basically decide on this fiscal route, the following implications would need to be considered:

The timing and strength of the effects of demand and growth due to tax relief are uncertain. There is thus a risk that a much increased budget deficit may turn out to be more than temporary. If there is insufficient readiness to accept this eventuality, the attempt will be made to reduce the deficit by renewed spending cuts. As long as this happens to affect the (in any case excessive) subsidies, we may expect positive growth effects. On the other hand it would be unfortunate if the reduction in the deficit were again to proceed at the expense of the social services. This might result in considerable sociopolitical conflicts: The gap between the advantaged and disadvantaged groups of society would widen still more, because the reform of the tax rate is likely to be of the greatest benefit to the upper income groups.

MINISTRY STUDY GROUP: SLIGHT GNP GROWTH TO YEAR 2000

Oslo AFTENPOSTEN in Norwegian 22 Oct 83 p 19

[Text] In all probability, the Norwegian economy will have an annual growth rate of 1.3 to 2.3 percent through the year 2000. On Thursday a study group appointed by the Finance Ministry presented a report with this low estimate to Finance Minister Rolf Presthus. The group, which was led by top researcher Per Sevaldsen of the Central Bureau of Statistics, examined various alternatives based on the global economy and the domestic use of oil revenues.

The study group arrived at this low estimated growth rate because it is believed that there will be only a slight increase in Norwegians of working age and that technical advances will be moderate. In global terms, growth will be modest. But the group stressed the uncertainty involved in the calculations. It is impossible simply to assume that current trends will continue. We must be able to detect new trends that could arise.

One prerequisite even for this modest growth is that oil prices will rise by 2 percent annually from 1985 to the end of this century. Our oil and gas production must increase to 80 million tons of oil equivalent by the year 2000. This could provide a 2-percent growth rate from 1980 to 1990 and 1.6 percent from 1990 to 2000, the group stated. It also pointed out that this figure was less than half the growth rate from 1960 to 1980.

The group also examined changes in various categories of employees. It concluded that if the service sector made especially strong technical advances, for example because of breakthroughs in telecommunications and computer technology, then employment and production could increase in other sectors, as well. This could slow down the present shift toward the service sectors. In this case, the decline of industry, for example, could be more modest than it otherwise would have been. But this means that industry must manage to increase exports and increase the production of goods that compete with foreign imports.

9336
CSO: 3639/18

UGT ANALYZES KEY ECONOMIC CONCERNS, CALLS FOR CCOO COOPERATION

Madrid AEC in Spanish 20 Oct 83 p 16

/Text/ The Confederated Executive Committee of the UGT, presided over by its secretary general, Nicolas Redondo, in its last meeting analyzed the discussions maintained by the government on the economic plan and collective bargaining for 1984. It likewise conducted an analysis of the situation and mobilizations carried out by CCOO, issuing a call to this union headquarters to stop its mobilization policy, which does nothing to help overcome the crisis.

Concerning the meeting held among unions, government and management, the UGT has termed it useful to the extent that it assumes one more step in the attainment of a policy of coordination which may make it possible to overcome the crisis. The Executive Committee of the UGT understands that the framework for establishing the policy of solidarity which it recommends can be carried out successfully, reaching to proposals for group bargaining by subject that may be debated at specific tables between the parties.

The UGT points out that economic topics--income policy, accountability, social spending, medium-term planning; Social Security topics--spending, recovery and system reforms; institutional development topics--development and reform of the framework of labor relations, union consolidation; and everything relating to industrial topics--reconversion, reindustrialization--ought to be analyzed at specific work tables and with suitable interlocutors. To this end the Executive Committee of the UGT has exchanged views concerning strategies and concrete proposals to be carried out at each of the work tables, as well as those of the committees that will attend the negotiation at each one of them.

Concerning collective bargaining for 1984, the UGT considers it necessary to begin the elaboration of necessary platforms at the organizational level. To this end, the Executive Committee has decided to convoke the Confederated Committee--the highest organ of the UGT between congresses--at an early date in order to analyze this point in depth and fix definitive positions of the UGT regarding collective bargaining.

In the face of the mobilization campaign undertaken by the CCOO, the Executive Committee of the UGT expresses once more the most profound concern which a policy of confrontation in a context of economic crisis deserves. The Executive Committee of the UGT makes an appeal to the CCOO to reconsider its assumptions and to participate in the necessary coordination that has begun at the level of private as well as public enterprise.

12372

CSO: 3548/57

STUDY OF PUBLIC FUNDING TO COMBAT BANKING CRISIS

Madrid EL PAIS in Spanish 30 Oct 83 p 49

[Article by Gustavo Matias]

[Text] The banking crisis, struggled with since 1978, has made more than 1 trillion pesetas in public aid necessary up to this month; however, private banks have contributed barely 1.4 percent of that amount. Minister of Economy and Finance Miguel Boyer understated the situation when he revealed this week that Rumasa banks had received 666 billion pesetas. The 18 banks of the Abeja group have needed another 166 billion pesetas to date. But an investigation by this newspaper shows that the 30 or so entities which took steps to put their financial house in order before last 23 February have already received at least 850 billion pesetas, not counting the subsidies implicit in exemptions from cash fund and mandatory investment coefficients. That is to say, a total of 1 trillion pesetas has just been exceeded. And for the first time, it has been possible to observe this secret distribution. In one case, that of Banco Meridional, the sum was 3.4 times greater than the bank's deposits.

Requests for figures on Bank of Spain aid to the banking sector were made constantly by the PSOE [Spanish Socialist Workers' Party] while it was the opposition. On 30 September 1979, then Minister of Economy Jose Luis Leal responded to an appeal by Deputy Luis Solana by saying that official aid would be kept a strict secret. In response, Miguel Boyer, today the economic "superminister," expressed a difference of opinion with his colleague Solana, although he proposed a parliamentary subcommittee on financial and monetary policy to oversee these matters. The secret, including total figures, has been kept to the present day, and it was Boyer himself who began to break the silence.

Apparently intending to show the opposition that their criticisms of aid of Rumasa could backfire against some of their members, since when

they were in power, relatively more costly crises arose, Miguel Boyer stated that 666 billion pesetas were going to that group.

Without specifying total aid to other entities, he added that Bank of Spain credits represent 31 pesetas for every 100 pesetas that Rumasa banks owed their clients (584.3 billion) and 15.99 million pesetas for every employee (11,255 workers), while in previous crises the ration was 88 pesetas for every 100 and 41.14 per employee.

The Bank of Spain figures that this newspaper has been able to acquire (see attached table) confirm those statements, as long as those banks are excluded whose crises have not yet been resolved through official mechanisms or the mechanisms most commonly used in recent years.

Exclusions

Some of these cases were publicly known when they occurred, such as the Banco de Navarra (first official exclusion, needed about 15 billion pesetas in 1978), Banco de Madrid (10 billion pesetas at the end of 1981, the last date for which data could be obtained), Banco Rural y Mediterraneo (12 billion), Banco de la Exportación (1.5 billion), Banco de los Pirineos (800 million before being the only bank in the sector to suspend payments).

In several cases other than those which were verified, the bad situation was not made known. One, which seems to have surmounted the difficulties that led to the need for aid, had received approximately 141.3 billion pesetas in late 1981. Another small entity, currently seeking a merger with a larger bank, had used 200 million pesetas at that time.

The exclusions mentioned exceeded 180 billion pesetas. Added to the 665.428 billion pesetas in the information obtained and the 166 billion pesetas in credits to 18 Rumasa banks, the total figure exceeds a trillion pesetas by more than 12 billion; all without counting the exemptions from the cash fund and investment coefficients which are enjoyed by about 20 banks aside from Rumasa. This is an implicit subsidy that reliable financial sources estimate conservatively at another 30 billion pesetas for 1983.

Of the more than 1 trillion in credit aid, to date private banking has barely contributed 1.4 percent in practice. In fact, the banks have contributed, to date, 22.3 billion pesetas in annual quotas (6.3 billion in the first installment, 7.9 billion in the second and 8.1 billion in the third and last) to the Deposit Guarantee Fund. But these contributions are one of the numerous expenses that the sector can deduct at a rate of 33 percent from their corporate taxes. That is, in reality the deposit insurance has cost them less than 15 billion pesetas.

In contrast, the Bank of Spain, apart from having turned over directly to the banks in crisis the 241.06 billion pesetas included in the attached list and the more than 180 billion pesetas mentioned above, has advanced another 400 billion pesetas to the Deposit Guarantee Fund, which was established "on the basis of parity" with the private banking sector. It has also provided another 166 billion pesetas to the Rumasa banks.

Aid from the Bank of Spain and the Deposit Guarantee Fund is normally provided in the form of long-term credits with a personal guarantee at 8 percent interest. There are, however exceptions. Miguel Boyer himself said last 16 June in Parliament that one of the loans to the Banca Catalana group has no interest, and has a term of 10 years with a single maturity date at the end. But it is usually argued that the credits are reimbursable and that the banks will end up contributing, through their quotas, 50 percent of the funds advanced to the Deposit Guarantee Fund.

If this were to occur, the difference between interest rates charged and market rates, as well as the monetary effect of the Bank of Spain's injections of funds into the system, would have a very high cost anyway. But there are, furthermore, some sure losses (the so-called loopholes). And many of the assets or investments that the banks have placed in the Deposit Guarantee Fund after having been set to rights by the fund, are in some cases of doubtful value, and in others, very difficult to transfer.

The analysis of the figures highlights the great disparity between the aid needed by some entities and that needed by others. The aid is measured both in contributions per employee (the banks mentioned in the report have 16,173 employees, plus 11,255 employees of Rumasa banks) and in pesetas received for each 100 pesetas in deposits made by clients at the time the crisis was declared. The most remarkable figure in relative terms comes from the Banco Meridional, which had received 3.4 times more money than it had from clients. When this bank's affairs were put in order, the Banco de Vizcaya took it over.

Transformation Without Compensation

After putting their finances in order, the 30 or so banks who declared a crisis, with the exception of Banco de Navarra and Banco de los Pirineos, have been absorbed by large or medium-sized banks, five of them foreign banks.

To facilitate the financial cleanup, the Bank of Spain has released most of the entities dealt with from paying their cash fund and investment coefficients for periods of between a little more than 1 and 7 years.

The opinion has been expressed in banking circles not tied to big banking that the banking crisis has been the worst in the western countries and has become an opportunity to transform and concentrate

PRINCIPAL AID TO OVERCOME BANKING CRISIS THROUGH THIS MONTHS
(IN MILLIONS OF PESETAS)

Banks	No. Employ- ees at BC/ DGF Entry Date	Client Deposits of at BC/ DGF* Entry Date	Bank Spain Loans	Total DGF Con- tribu- tions	Total BS/ DGF Contri- butions	Av- erage Contri- bution Per Employee	Contri- butions Per 100 Pesetas Deposi- ted
Credito Comercial	185	3,296	1,118	--	1,118	6.04	28
Cantabrico	305	4,235	13,327	4,205	17,532	57.48	41.4
Granada	832	29,242	12,281	7,945	20,226	24.31	69
Valladolid	752	21,526	13,210	10,000	23,210	30.86	10.8
Asturias	383	10,179	4,557	2,000	6,557	17.12	64
Promocion de Negocios	269	12,686	5,931	8,437	14,368	53.41	118
Lopez Quesada	812	17,724	8,200	16,227	24,427	30.08	138
Meridional	139	5,527	8,225	10,940	19,165	137.88	347
Occident and Cmal.							
Occident.	1,735	71,784	18,176	61,600	79,776	45.98	111
Mas Sarda	857	47,289	5,255	6,807	12,062	14.07	26
Union	1,553	120,025	15,890	53,296	69,186	44.55	58
Prestamo y Ahorro	176	11,682	4,640	7,636	12,276	69.18	105
Alicante	677	21,963	--	6,575	6,575	9.71	30
Credito y Inver- siones	1,019	34,573	--	18,283	18,283	17.94	53
Catalana	3,236	134,927	62,130	61,086	123,216	38.08	91
Industrial de Catalunia	811	76,422	45,083	50,166	95,249	117.45	125
Industrial del Mediterraneo	631	41,623	18,137	25,504	43,641	69.16	105
Barcelona	230	6,337	4,900	--	4,900	21.30	77
Berona	29	528	--	--	--	--	--
Levante	1,200	62,534	--	53,643	53,643	44.70	86
Descuento	342	17,374	--	20,018	20,018	58.53	115
Total Related							
Banks	16,173	752,106	241,060	424,368	665,428	41.14	88
Rumasa Banks (18 20 banks in group	11,255	584,300	166,000	--	166,000	15.99	31

Source: Bank of Spain

BC: Banking Corporation

*DGF: Bank Deposit Guarantee Fund

the sector. The first transformation faced in Spain held no commitments for the sector, whose overall configuration has remained essentially untouched until 1982. It followed an expansion (the sector expanded its offices by 7.9 percent last year), absorbed most of the banks in crisis in order to avoid competition (either through nationalization or foreign banks), and to date has made almost no contributions to the Deposit Guarantee Fund, which is looking after its reputation.

12351

CSO: 3548/80

ELECTRONICS DEVELOPMENT, PRODUCTION TO OUTSTRIP CONSUMPTION

Madrid EL PAIS in Spanish 30 Oct 83 p 49

[Text] Apparent consumption in the electronics sector will reach 3.1 percent of the gross domestic product of the Spanish economy in 1987, according to Joan Majo, director general of electronics and information science, who spoke with the press agency EFE. For the government representatives, reaching this percentage means approaching European quotas, and this can only be achieved with annual cumulative increases of more than 10 percent.

The objectives of the National Information Science and Electronics Plan consists of converting the sector into the foundation of Spanish industry's new orientation and of increasing the demand in electronics while simultaneously increasing national production more than consumption. Production is predicted to increase 18 percent compared with 10 percent increase in consumption.

Parallel measures to the electronics plan include the strengthening of research and development, the distribution of technology, the establishment of industry, and a policy of public purchases. The latter is being approached through obligatory demand planning, the elimination of the national producer's certificate, and the introduction of the concept of industry participation in adjudication processes including a binding, prior, mandatory, industrial report.

The research and development plan has taken the form of a new research law which, it is hoped, will be presented to the parliament within 4 months, and of the allocation of 20 billion pesetas to implement the law which, it is hoped, will be presented to the parliament within 4 months, and of the allocation of 20 billion pesetas to implement the law through projects of the Center for Industrial and Technological Development, the research advisory commission and the general directorate itself.

To achieve the objectives, specific plans are being proposed for each subsector: microelectronics, consumer electronics, electronic components, telecommunications, information science, defense electronics, industrial electronics and electronics in medicine.

12351

CSO: 3548/80

SAGUNTO SEEN AS 'TEST' IN MODERNIZATION VERSUS JOBS BATTLE

Madrid ABC in Spanish 3 Nov 83 p 15

[Text] The partial shutdown of the AHM plant in Sagunto, scheduled for Tuesday and postponed once again yesterday, did not take place, pending the meeting of the Integral Iron and Steel Follow-up Commission to be held today in Madrid. The delay may be due to a last-minute attempt to negotiate with local representatives to reach an agreement to allow the shutdown without confrontations. This effort is worthy of support, since Sagunto residents are struggling to defend jobs the loss of which would impoverish them. Anything that is done to mitigate the social consequences of the implementation of the industrial reconversion policy is little enough.

The population of Sagunto has our solidarity and our admiration for the effort they are making to save their jobs. That admiration, however, cannot take precedence over the modernization needs of Spanish society as a whole. Nor is it acceptable to overlook the fact that closing down three blast furnaces does not mean closing down all of Sagunto; the cold rolling mill is still operating as the most competitive and modern facility in the company. If the reconversion policy is not carried out, in the medium and long run many more jobs will be lost than those that may be lost temporarily in the present. By the same token, if the government did not do what it said it would, it would lose, along with its credibility, most of the political capital it won on 28 October 1982. Being the first key part in the reconversion of national industry, Sagunto has become a test of the Spanish Socialist Workers Party's (PSOE) ability to govern.

Those who know that best are the ones who decided to turn the problem into a whip cracking over the heads of Saguntinos. The Spanish Communist Party (PCE) strategy is no secret; it wants to exploit the fear of unemployment of 1,200 families. In this regard, the anguish of Sagunto is simply an offensive battering ram which the Communist Party—one faction is as good as the other—is developing against the government's policy.

It would be pointless to gloat over the difficulties Felipe Gonzalez is experiencing in this grave situation. When it comes to solving or aggravating the economic crisis, we cannot but support this or any other government. No partisan interest should be placed above the general interests of Spain. If the government were to lose face in this challenge, the electoral victory of the Socialists would be reduced to naught. And with it would go the roots of democratic alternation in Spain.

PEN IMPACT ON SUBSIDIARY INDUSTRY, JOBS

Madrid DIARIO 16 in Spanish 3 Nov 83 p 17

[Passages enclosed in slantlines printed in boldface]

[Text] Madrid—The suspension of the nuclear program will eliminate 40,000 jobs and will force many industrial concerns out of business, said the director general of Sercobe (an association of capital goods firms), /Enrique Kaibel/, yesterday. Kaibel, together with several businessmen of this sector, analyzed the impact of the new energy policy on their companies. According to the association's calculations, more than 20 percent (some 70 out of the 350 members of Sercobe) will be very seriously harmed by the nuclear halt, since between 60 and 70 percent of their production is aimed at that program. Other firms may also have to suspend payments, although only 20 percent of their business depends on the nuclear program, because in addition to the paralyzation, investments by the Spanish National Railroads (RENFE) and other government and private plans have been frozen. In this regard, the Sercobe director mentioned the suspension of payments by Westinghouse, /"which in addition to its previous problems faces the prospect of no more orders."/

In the view of businessmen of the capital goods sector, the government has made a very serious decision without backing it up with data and studies. They accuse the administration of allowing itself to be swayed by political motives, such as the promise not to install a nuclear structure greater than 7,500 megawatts, the solution to the Lemoniz problem within an overall framework, or providing a way out for Algerian gas, for which the Spanish Government will have to pay under the current contract with that country. In this context, /Kaibel/ indicated that at the recent meeting between Minister of Industry /Carlos Solchaga/ and representatives of the Spanish Confederation of Business Organizations (CEOE) to study the Industrial Reconversion Act, the minister spoke of slowing down, rather than halting altogether, /"to justify the government's position."/

Employment

The Sercobe representatives emphasized the influence of the nuclear "blackout" on employment in the sector. According to their study, the figure of 40,000 lost jobs is accurate, considering that 600 billion pesetas in investments are paralyzed, and taking into account the generation of employment per hour

worked in the sector. The possible promotion of production in these companies by other programs under the new National Energy Plan (PEN), such as the hydraulic and energy conservation programs, will not, in /Enrique Kaibel's/ opinion, offset the lost jobs.

Any other program, such as the 5,000-megawatt hydraulic program, requires much smaller investments, he said, /"and a nuclear power plant requires more jobs in qualitative and quantitative terms, so the replacement of these plants by other conventional ones would involve a considerable decline in the number of jobs."/

/Ramon Gomez Olea,/ representing the electrical assembly firms, noted that the nuclear paralyzation will cost the average Spanish family about 14,000 pesetas per year until the investments that will not be made are amortized through tariffs and the increased cost of a kilowatt. /"Furthermore," he added, "in the case of Extremadura there would be an additional loss of assets of 250 billion pesetas. They are wrong," he added. "They should justify their position. We should engage in debate before the new PEN goes to Congress, because then all will be lost."/

Consumption

The differences between businessmen and the administration also revolve around forecasts of the increase in consumption of electricity. According to /Adolfo Garcia Rodriguez/ of the engineering companies, the figures cited by the government to the effect that consumption may grow by 3.3 percent a year /"are very risky, since they do not agree with the 4.8 percent consumption growth figure for this year. It is not unreasonable to assume," he added, "that it will rise even faster in the future, since as the country's economic authorities assert, we are on the verge of resolving the crisis, and that will obviously increase demand."

8926

CSO: 3548/86

MAJOR CONTRACT WITH FRG FIRM FOR CONTAINER SHIPS

Madrid DIARIO 16 in Spanish 20 Oct 83 p 19

/Text/ The value of the contract signed yesterday between the Spanish shipping company Juliana Constructora Gijonesa, subsidiary of Astilleros Espanoles, and the Schiffskommeerz company of the German Federal Republic amounts to some 7.3 billion pesetas, according to the shipping division of the INI. The contract assumes construction by the Spanish enterprise of four container ships of 7,900 tons dead weight. The four ships together assume 41,300 tons in gross tonnage.

The contract was obtained in competition with shipyards of Korea, Japan, the Federal Republic of Germany and Belgium and was achieved after long discussions initiated last February.

The importance of the agreement resides in the influence it will have on the results of the company and the future of the payroll. On the other hand, the contract, which implies an opening to the Eastern European market, could grow in the future. The agreement signed yesterday contemplates the possibility of the construction of another two container ships.

This contract is the most important within the naval sector signed by the GDR with another country outside the area of CEMA.

12372

CSO: 3548/57

PUBLIC SECTOR BANK DEPOSITS CONTINUE UPSWING

Istanbul DUNYA in Turkish 27 Oct 83 p 1

[Text] Ankara--The share of public banks in total bank deposits has sharply increased following the Finance Ministry's intervention in banks and the introduction of the new interest rate determination system. The share of public banks in total bank deposits stood at 43.4 percent at the end of September, up from 39.2 percent at the end of 1982. In the same period, banks whose deposits fell as a result of slow repayment of loans compounded the accumulated interest on loan accounts, and, hence, the share of these banks in outstanding loans increased.

In the first 9 months of the year, total savings deposits rose by 261.8 billion Turkish liras and the largest share in this increase reportedly went into public banks. In the January to September period, savings deposits in public banks rose by 133.1 billion Turkish liras while eight private banks recorded gains of 136.2 billion Turkish liras. Foreign banks captured 9.4 billion Turkish liras of the increase in savings deposits, and there was a decline of 16.7 Turkish liras in the savings deposits of the remaining private banks some of which were subject to direct intervention by the Ministry of Finance. As a result, the share of public banks in total savings deposits rose from 38.0 percent at the end of last year to 39.9 percent at the end of September. The share of eight private banks in savings deposits declined from 55.2 percent at the end of 1982 to 54.7 percent at the end of September. During the same period, the share of foreign banks in savings deposits rose from 1.7 percent to 2.0 percent and that of the remaining private banks declined from 5.1 percent to 3.4 percent.

Distribution of Savings Deposits Among Banks (percent)

<u>Bank type</u>	<u>December 1982</u>	<u>September 1983</u>
Public banks	38.0	39.9
Eight private banks	55.2	54.7
Foreign banks	1.7	2.0
Other private banks	5.1	3.4

Public Banks Maintain Advantage

Public banks have held their edge in deposit accounts other than savings accounts. In contrast to the growth of deposits with zero interest cost in

public banks, there was a decline in this type of deposits in private banks. While utilizing their advantage in holding government deposits, the public banks also managed to hold their declines in interest-free commercial deposits below those of private banks. Indeed, out of a total decline of 131.3 billion Turkish liras in commercial deposits in the first 9 months of 1983--resulting from cash shortages in the market--104.7 billion Turkish liras came out of eight private banks. Private and foreign banks could not maintain deposit accounts other than savings accounts at the levels they were at the end of 1982. The conversion of some deposit accounts opened at the Agricultural Bank during the declaration of wealth renewal process into commercial accounts after 15 April played a major role in this development. Thus the share of the public banks in total bank deposits rose from 39.2 percent at the end of 1982 to 43.4 percent at the end of September 1983. At the end of September 1982, public banks held a 37.6 percent share in total bank deposits.

Resource Utilization

Although the trend was in favor of the public sector in the creation of bank resources, the same could not be said for credits. Out of an increase of 334.6 billion Turkish liras in total funds lent by all banks in the first half of 1983, 147.7 billion Turkish liras originated from public banks and 144.3 billion Turkish liras came from eight private banks. Foreign banks increased their credit volume by 12.1 billion Turkish liras while the credit volume of the remaining private banks rose by 30.5 billion Turkish liras.

The slower rate of loan repayment at private banks had a major impact on this difference in trends observed in resource utilization. Indeed, while total loan repayment deposits at private banks other than the leading eight declined by 21.1 billion Turkish liras, their total credit volume rose by 30.5 billion Turkish liras. This rise resulted not so much from an increase in the amount of new loans, but from the compounding on loan accounts of interest accumulated during periods when existing loans were deferred. As a result of this artificial increase in the credit volume of these banks--some of which receive public assistance--these banks' share in total outstanding loans rose from 4.8 percent to 5.5 percent [in the first 6 months of 1983] even though no new loans were extended.

9588

CSO: 3554/48

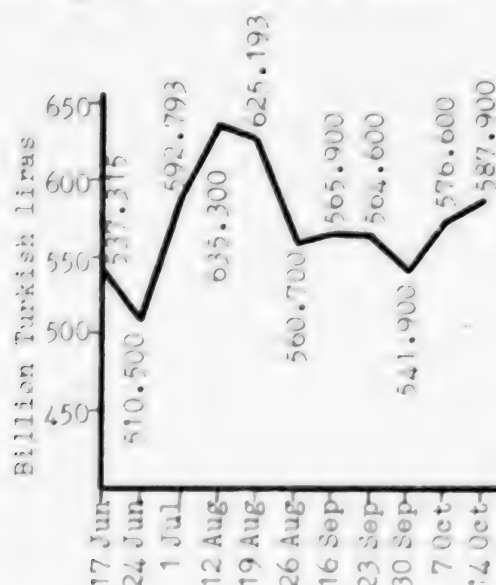
STATISTICAL SURVEY OF MONEY SUPPLY

Istanbul DUNYA in Turkish 27 Oct 83 p 1

[Text] Ankara--The money supply reached 587.948 billion Turkish liras on 14 October, thus recording an increase of 46 billion Turkish liras in the first half of the month. This brings the total increase in the money supply in the first 9 1/2 months of this year to 45.2 billion Turkish liras. The money supply rose by 134.7 billion Turkish liras in the same period in 1982.

As a result of the tight-money policy being implemented, at the beginning of October, the money supply was reduced to below what it was at the end of 1982. But in the face of rising demand for money after 1 October, the Central Bank adopted a relative "expansionist policy." Thus, the volume of cash money in the market rose from 541.908 billion Turkish liras on 30 September to 587.948 billion Turkish liras on 14 October. The money supply thus rose by 46.040 billion Turkish liras in 15 days as a result of the use of Central Bank resources in public sector cash requirements in the first week of the month and the extension of an additional credit of 20.869 billion Turkish liras to the banking sector in the second week of the month.

Of the funds provided to the banking sector in the second week of October, 16.536 billion Turkish liras was due to the rise in the total amount of credits--which include export credits--given in exchange for short-term bonds. Also, 3.572 billion Turkish liras were extended through banks to Public Service Corporations in exchange for short-term bonds.

Money Supply

While credit use in the public sector rose by 4.581 billion Turkish liras in the second week of the month and reached 599.458 billion Turkish liras on 14 October, there was an increase of more than 5 billion Turkish liras in deposits held by the public sector in the Central Bank. During the same week, there were increases of 1.371 billion Turkish liras in required bank deposits in the Central Bank and 1.371 billion Turkish liras in free bank deposits. Foreign exchange accounts increased the money supply by 7.3 billion Turkish liras. No major changes were observed in credit use by agricultural cooperatives.

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CSO: 3554/48

SEMINAR EVALUATES DECLINING POSTURE OF MINING INDUSTRY

Istanbul DUNYA in Turkish 27 Oct 83 p 7

Panel discussion moderated by DUNYA correspondents Fasih Inal and Funda Akad

[Text] The participants: Ibrahim Atanan, Chairman of the Minerals and Coal Mines Professional Committee of the Istanbul Chamber of Industry; Namik Esmer, Secretary General of the Turkish Miners' Association; Behzat Firuz, Secretary General of the Turkish Mineral Exporters' Association; Dr Nevzat Tartici, consultant to the Turkish Mineral Exporters' Association; Yusuf Surmen, representative of the marble industry.

Inal: I welcome you to this panel discussion at the Sheraton Hotel as the representatives of the Istanbul Chamber of Industry, the Turkish Miners' Association and the Turkish Mineral Exporters' Association. Honorable Namik Esmer, I will ask you to speak first. Could you give us an overview of the state of the Turkish mining industry today?

Esmer: The general state of the Turkish mining industry is truly grave and pathetic. Statistics show that the share of our mineral exports in our general mining industry is 3.6 percent. Considering that this figure was 4.75 percent in 1981, the trend seems to be downward. The share of mining in the gross national product is even worse and remains below 2 percent. The primary cause of our mining industry's failure to develop is the incorrect mining policies that have been implemented for many years.

Neither foreign capital nor the domestic private sector have invested in mining since they see no legal guarantees outside the government; they have been timid about investing in mining because of nationalization laws that have been enacted at various times. Investors are afraid that if large mineral reserves are discovered some day they will be nationalized. If foreign as well as domestic capital investments are desired in this area, first of all this guarantee must be provided. If it was possible to develop the mining industry through the government, we would have a major boom in this sector with the investments of the Mining Research Institute (MRI) and Etibank. But since the government's investments in this sector are inadequate, the involvement of the private sector and foreign capital is essential.

The second major point is that our mining industry has always been looked upon as the black sheep of the family. None of the facilities provided to the industrial sector has been afforded to the mining industry. The mining industry

has not benefited from the tax exemptions and the incentives embodied in the Institutions Tax. The mining industry is not considered part of the industrial sector. The fact is that mining is heavy industry and mining products should be considered as heavy industry products. Consequently, whenever mining costs exceed world prices, tax returns must apply to mineral exports. Miners never receive tax returns, but mineral products that are processed after being extracted from mines are eligible for tax returns.

Tax returns are incentives for increasing exports. This practice first began in the form of returning the tax that was paid at the time a product was exported. But later it took the form of a certain level of assistance. Miners receive no assistance because minerals are not considered industrial products. Consequently, the mining industry is unable to develop.

In addition, adequate export loans are not provided to the mining industry. For this reason, the state of our mining industry is steadily deteriorating.

On the other hand, one may ask about the state of the public mining sector. Unfortunately, the government's investments have not yielded any results. The government keeps drawing up projects worth billions of Turkish liras, but none of these projects actually materialize.

To give you an example, let us look at the Uludağ tungsten project. The MRI began exploring for tungsten and continued its exploration work for 25 years. In the end, it was concluded that tungsten reserves did exist and the project was turned over to Etibank for conducting mineral extraction. Etibank looked for foreign capital for years to get this project under way, but foreign financing organizations were unwilling to invest in this project because they found the MRI's exploration work inadequate. When tungsten prices began to rise around the world, Etibank decided to operate the mine on its own and began work that lasted more than 10 years. A fire scuttled the work even further. Eventually, that is 30 to 35 years later, the tungsten mine went into operation with a capacity of 3,000 metric tons a year. However, its production and exports amounted to 68 metric tons the first year and 100 metric tons the second year. At the end of all these incredible developments Etibank officials have come to the conclusion that this was a wrong investment. Now they have added a new element to their long chain of mistakes: A foreign financing firm has been contracted to study the investment. What I will say is not very credible, but there are persistent rumors to the effect that this firm has no experience or knowledge about tungsten.

I think no better answer could be found to the question about why our mining industry is unable to develop. It was originally estimated that 3,000 metric tons of tungsten ore concentrate would be produced a year. At the time, tungsten ore concentrate was worth \$15,000 a metric ton, so that the mine was expected to bring in \$30 million a year in foreign exchange. But so much ore was needed to produce 3,000 metric tons of concentrate that it was found out that the mine galleries were inadequate to extract that much ore. In other words, the calculations were made without taking even these simple facts into account.

Billions have been spent on tungsten exploration in Uludağ. However, here some clarification is necessary. Today, 1 billion Turkish liras is not considered a

large sum. But it realizes that long-term explosive growth in the 1980's (the spending of billions) seemed nearer.

In other words, even if we disregard the fact in the dollar's purchasing power, there is a tremendous difference between the Turkish lira of the 1960's when it was worth 2.50 Turkish liras and the Turkish lira of today when it is worth 250 Turkish liras. If 2.5 billion Turkish liras were spent in the 1960's, it amounted to \$1 billion. Today, 2.5 billion Turkish liras translates into only \$10 million. For this reason, when we say a few million Turkish liras have been spent we must have some facts in mind.

Host: However, Mr. Baker, you said some very interesting things about Turkey. At this point I feel there is one question that must be asked. How has the -- in work and money have been expended, if we at least have together, resources in Turkey?

Host: We can say with certainty that there is long-term in Turkey because there is a gradualization process in the work. However, although it was noted the concentration of the money in the new world is a factor per 1,000 that has not turned out to be true.

I would like to give another example in this regard: The United States, Japan, Britain, France, and Germany have the reputation of the high. At the beginning, very similar, with a similar concentration of a percent, was expected. But later, when they reached deeper layers that concentration dropped to 2 percent. In 1960, a report was issued in the process one with this concentration. This was the first large mining project in Turkey. But differences of opinion existed among the experts and they could not come to an agreement on whether to use a well as a dry process. This lasted for years until 1963 at which time a fact of the situation was proposed to increase the legal mine area significantly. But unfortunately that was the end of the matter and eventually the area expired. The differences of opinion had emerged in 1965 and still not have occurred even today in 1970 (see page 100).

As it never was not enough, millions were spent to build a factory. But, again, construction was done by the state but would be protected during the advancement of the work. This factory was also unable to operate, because the government could not get it to be done and the expected amount of work could not be obtained. That is the story of the legal copper mine.

After seeing this, it is easier to understand why the mining industry has been unable to develop in our country. Because the private sector in Turkey has been doing almost nothing for the government distribution. The private sector in Turkey cannot last the time will be sufficiently strong. We must admit that the government must succeed if it is consistently supported about the problem, with the national economy.

As for the government's action, it is more with failures and shortcomings. After having the project not sufficient, mostly or because they are not realistic and not this question is clear.

As a result, when we look at mining industry we see a great number of problems and failures. One of the main reasons for this is the lack of a clear policy of the government. From the time the first mining law was passed in 1960, the government has not been able to develop a clear policy.

To put this figure in perspective, let me just state that Greece earns more foreign exchange than this amount with just exports of magnesite.

Chair: Honorable Yücel Birken, Honorable Bamer explained with very good examples the two major reasons behind the failure of our mining industry to develop. Are there any other factors impeding the development of our mining industry?

Birken: While our country's exports have enjoyed major gains in the last few years, the share of mineral exports in general exports has declined. The mining sector has not been able to keep pace with the rate of growth in the production of other goods and services.

The share of mineral exports in general exports fell from 4.75 percent in 1981 to 3.6 percent in 1982. The dollar value of mineral exports in 1982 was 8.2 percent less than that of 1981. The causes of these declines must be summarized as follows:

1. The economic crisis affecting world markets has had an adverse influence on the minerals market. The world iron and steel industry, in particular, has not yet come to a dead end, but it has entered a period of decline.

2. Rising interest rates have forced mineral buyers to lower their inventories rather than import fresh stocks.

3. The rising value of the dollar has not only pushed up interest rates, but also has led to price and cost increases.

4. One of the causes of the stagnation of the iron and steel industry is the recession in the construction sector.

5. The growth of heavy industry in developing countries has also hurt our mineral exports to a certain extent.

Chair: Honorable İsmet Kiraz, what are the major causes of the failure of our mining industry to develop in your opinion?

Kiraz: Mining in our country has never received from officials the attention it deserves. This is one of the causes of its underdevelopment. We were more advanced in mining in the 18th and 19th centuries. Good intentions could be observed during the Ottoman period or even during the years the MRE was first established. But it is seen later that mining had not been given the necessary attention. We explained to the Ministry of Industry the need to give mining the status of industry so that we too can benefit from the incentives provided for industry. They told us explicitly that they have no such intentions. Mining colleges are very risky, they need large financial resources and are long-term investments. But governments prefer programs that will show success in a short time. Another characteristic of mining is that profit margins are steadily shrinking. Therefore, profits must be prevented from shrinking by new investments.

Chair: The mining industry needs programs that nationalizations will not take place. Because the nationalizations that take place in accordance with the provisions of Law No. 2177 of 1978 have made the private sector very wary.

Foreign capital does not want to invest in the mining sector of Chile. On the other hand, it is impossible for a country to be self-sufficient.

It was hoped that the output of the mines nationalized by Law No. 2072 would be increased. But nationalization has not helped at all and there have been no gains either in coal or bronze production.

One of the most important principles in mining is technical supervision by the government. The proper utilization of the reserves, working conditions in mines and the workers' health are in strictly governmental control. But since none of these is done, unworkable situations have developed. For instance, the organization we call the Mining Affairs Directorate General has not even had a personnel law for years. Its employees are gathered from other government organizations and have time to time they are returned to their old jobs. This way, neither a body of knowledge nor the skill nor experience can be gained nor continuity can be maintained. This leads to both underdevelopment and the wastage of mineral resources. As a result of this lack of control for many years, our mines were neglected, and as they gradually Law No. 2072 was started in 1970 and mines were nationalized.

Mistakes and unfairness were also observed in the nationalization process. One most interesting example in this case is iron. As is known, Chile is rich in iron and is the raw material used in many manufacturing. The MTC controlled such exploitation only in certain areas and maintained that there were no reserves in those areas. Then, a mining engineer surveyed the vast areas and discovered very large reserves of iron. But when he applied to the Mining Affairs Directorate General for a license his application was rejected. Just about that Law No. 2072 was enacted and this man lost all his rights. How can anyone now go to explore for minerals under such conditions?

Q: According to Article 2072, Law No. 2072, which nationalized the nationalization of mines, was enacted on grounds that our mineral resources were being plundered. Was that ground justified?

A: The charge that the private sector was plundering the mines is applied to the Customs Ministry's charge that private firms were selling oil without authorization. If there was any plunder, the government should have brought it to court earlier, and, in any case, there was not even that warranting the nationalization of mines.

Q: How did the law come to be introduced in the first session of the Congress and how did it pass? Was it introduced during the 1970 session? However, right after this statement, the constitution was amended and the government's power was increased, particularly by the political article number. This would strengthen the government's position. It must mean, the political organization of the state and political system is so much a constitutional provision as the state ownership of the mines. In reality, Law No. 2072 is a constitutional power of improvement and was enacted as a result of political conditions.

Q: How did all this, despite the fact that it was passed by the private sector, on the government is a really arbitrary power. For example, in the case of the copper, the government owned 70% of the mines at the time of their nationalization.

75 percent of the mines were in government hands and only 5 percent were in private hands. Even so, the private sector produced and exported more than the government sector.

A systematic and aggressive propaganda campaign has been waged to brainwash the public at the airport that the private sector is not operating properly. At that time, there was a program on television explaining how the private sector was running the lignite mines. It is hard to believe, but the lignite mine in Kayitomer, which is government-operated, was shown as a private sector operation. Only we knew that that was wrong. But those who did not know were convinced that the private sector is working improperly.

During the same period, coal prices were shown as an example of how the private sector was amassing fortunes from mining. The government sector was selling coal at the substantially subsidized price of 250 Turkish liras. The private sector was selling its coal for 1,000 Turkish liras because it did not have those subsidies. This difference led to deliberate charges to the effect that the private sector was charging exorbitant prices. The truth was that the government was losing hundreds of millions of Turkish liras on coal.

At the time the nationalization law was enacted, I was assigned the work of turning over a large mine in Anatolia to the government. At the time very little was left in that part of the mine that was operational. Even so, they were trying very hard to get those remaining reserves out.

In addition, however, there were abundant reserves. When the transfer operations were completed, there were still some reserves left over. We had left, and the transfer of the mine and the extraction was difficult and started working on the matter with risk reserves.

Q: It was stated that the private sector was given the image that it did not work properly. Honorable Nevzat Turtul, what must be done to erase that image?

A: As was stated a while ago, the mines must be regulated very seriously. They are not performing their obligatory function properly in order to save on personnel expenses. On the other hand, there are very mining engineers in Ankara and all of them must be working. These engineers must be sent to the mines and with the mine. This way we can separate the properly operating mines from the bad ones and we can prevent even further charges.

Finally, nationalization is also a highly sensitive issue. As was stated a while ago, the law, and while the members of the Turkish Republic are subject to the laws of the state. Mining licenses are like title deeds for your property. Just as you are aware that your property will be nationalized and you have the title deed to the property, you could get an official that your mine will be nationalized and you have your mining license. In reality, title deeds have been nationalized since just after the 19-year term of mining licenses. I guess if your title deeds become government property after four generations. That is, assume every time a property is nationalized 25 percent of it is transferred to the government. That means that a title deed is nationalized by the government in four generations. That means that the law, that is the point of nationalization is a piece of the constitution in the effect that there are under the jurisdiction and at the discretion of the state and they are working accordingly.

Ing.: Honorable Benzat Firuz, on various occasions it was stated that the government cannot run the mines. Why, in your opinion, is the government incapable of running the mining industry?

Firuz: I would like to give a few examples to explain what we mean by saying that. In SEKA (Turkish Cellulose and Paper Factories), an engineer designed a very high quality cigarette paper. The paper was so good that it was proclaimed as the best cigarette paper in the world after Finnish paper. But instead of rewarding the engineer, a letter of thanks was written to a long list of directors and section chiefs and the engineer's name was included at the end of the list. How can the engineer be expected to have any motivation to do even better? Whether you do well or badly, it is all the same.

Meanwhile, the State Economic Enterprises (SEE) cannot succeed as long as they are not motivated by profit. Law No. 1340 embodied the principle that the SEE "shall operate like a cautious merchant." Law No. 440 that was enacted after the 27 May 1960 revolution omitted this sentence. In other words, it was found more proper not to mention the profit factor. That was a very wrong move.

Ing.: Honorable Ibrahim Altan, what are the steps necessary to insure the development of our mining industry?

Altan: Mining is considered a part of the industrial sector all over the world. Mineral products constitute the raw materials of heavy industry. At a time when every effort is being made to increase our exports, the necessary attention and incentives must be provided at all stages of mining--from exploration to finding, from extraction to processing--so that all bottlenecks can be eliminated and the mining industry can serve our economy.

Consequently, the first step that must be taken immediately is to give minerals the status of industrial products.

The fact that minerals are not considered industrial products prevents them from benefiting from exemptions provided by the Institutions Tax legislation applied to exports. If nonmetallic minerals, which are not currently included in industrial product list and which have an important place in exports, are made eligible to benefit from exemptions provided by the Institutions Tax, our mining industry will receive an important boost.

The operation of an industrial installation can be halted whenever the world price of its product drops below the manufacturing costs if the product is not subsidized by tax returns. However, in the case of minerals, a firm cannot do that. Even if the world price of a particular mineral drops below mining costs, because water is alive veins and minerals are so constantly rugged out to maintain the mine in operational condition. Otherwise, the mine cannot be put back into operation.

In addition, similar incentives must be applied to export-oriented transportation services. There must be such a system to enable our minerals and other products to compete in world markets. It is also in deep water, which are directly affected by freight rates, at a certain level the Suez Canal (Suez) and other special discounts for export products. Freight rate rates remained

place the same mineral in different freight rate classifications by giving it different names. These activities must be carefully reviewed and reorganized. Our exports also have major capacity and loading-unloading capability problems. No export is larger other than the port of Merida is properly outfitted for exports. The administration of our ports is today divided between the DDY and the Customs Administration. Here, too, inconsistent rate schedules can be seen. It is essential that these facilities be administered by a single organization or that they implement a consistent rate schedule and that they offer larger special discounts for export products.

In all countries, the mining sector plays a very important role but carries the highest risks. Consequently, protecting and supporting the mining industry and the miners is necessary in order to lower the risk factor and to insure growth.

Furthermore, the mining sector is very sensitive to market movements. It takes a long time for money invested in this sector to return dividends. For this reason, the sector has a need for large amounts of financing. At times of crisis, miners are forced to sell their product even at below costs in order to continue production. If the crisis is prolonged they may have to declare themselves bankrupt and to halt their operations. If the operation of a mine is suspended, it may not always be possible to resume operations as in a factory. And if that happens a major national resource will be lost.

Consequently, the mining sector must be supported by a special fund allocation. Such a fund can protect miners at times of crisis or when prices drop thus enabling them to remain in business in such hard times and preventing the loss of foreign exchange earnings. Furthermore, price competition can thus be prevented and price-fixing can become possible.

At the beginning, royalties collected on miners' output can be sufficient to finance such a fund. This way, the mining sector will have to work in security and will thus grow faster and take the needed place in the development of the country.

The Ministry of Industry and Technology requires from the Mining Affairs Directorate a "Positive Report" on imported mineral products in order to pass them through customs. This organization is responsible for providing such reports. This issue has also no solution.

Another institution created by the Executive Administration Department and the Ministry of Industry and Commerce was the agency. If minerals used in a certain activity are found in excess and are still unused a few years, are in transition of ownership and business is the selling of the ore they must be permitted to be on sale. If they were imported duty-free, the port duty will not be paid. Permitted and is returned. Currently, the institution cannot be sold for 10 years, while the activities of the mineral have not expired. In 5 years, this provision must be modified and the mineral should be sold during the time of its legal expiration.

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ENERGY POLICY, PROJECTS, CONTROVERSIES

Duesseldorf HANDELSBLATT in German 26 Oct 83 supplement p B 5

[Article by Csaba Swekely: The controversy about the Zwentendorf nuclear power plant was only a beginning--Public electricity supply is going through a severe confidence crisis"].

[Text] Whenever Austria is being discussed outside of its borders, some favorite cliches are often used. They include among others the Vienna Boys Choir, the Lipizzaners, and the "beautiful blue Danube". The latter has become a symbol for inner-Austrian haggling about the foundations of energy policy. The 1973 discussions about the Zwentendorf nuclear power plant were only a first climax in the energy-political struggle about the Danube River. In the meantime the battleground has shifted from the nuclear plant to the vicinity of the Czechoslovakian border, where the Austrian industry would like to build the Hainburg Danube power plant; it again is meeting the massive resistance of the environmentalists.

Austria's power companies,--all of them majority-owned by the Federal or State governments--for some time had to fight an uphill battle. The tough political discussions about the start of operation of the already completed Zwentendorf plant were only a beginning.

After the government, having become uncertain, attempted in 1978 under the then Chancellor Bruno Kreisky to shun its responsibility through a plebiscite, and after the results of the plebiscite turned out to be an unexpected narrow "no", the Austrian electrical industry made an attempt to satisfy its projected electrical energy demand by pushing ahead with additional conventional power plants.

As a substitute power plant for the quietly imperative Zwentendorf nuclear power plant, by now a world-renowned museum on a 1:1 scale, work was started in close proximity to the Durnrohr coal fired plant (total construction costs about DM 1.5 billion).

Since then this plant has also been highly controversial on environmental grounds. The objection, which has been expressed by the same circles as at the time around Zwentendorf, was directed primarily for the

factors. Although the plant builders not only satisfied the officially imposed specifications for flue gas desulfurization, but intended to collect, because of public criticism, about 90 percent of the emitted smoke gases, environmentalists and some politicians now insist on 100 percent desulfurization.

This, however, is not yet within the state of the art, say the plant planners. Since the Duernrohr coal fired plant is located northwest of the federal capital of Vienna, the political representatives of the City of Vienna fear that the air quality in the Vienna area would be affected because of the prevailing westerly winds if the sulfur dioxide is not completely eliminated.

The second criticism points to the fact that the Duernrohr plant is located too far removed from the eastern Austrian conurbation to utilize waste heat cost-effectively for remote heating applications. Even representatives of the Austrian power industry admit, with considerable dismay, that the choice of location was "unfortunate."

As far as the smoke gas desulfurization is concerned, the general manager of the Austrian Electro Industry AG (in brief: an umbrella organization, it acts as distributor for the Federal load), Dr Walter Fremuth shows some bitterness: "If the public desires additional safety measures which go beyond the existing regulations, it would be the task of the existing legislative bodies to provide the appropriate legislation. We then would certainly comply."

General Manager Fremuth regrets that on one hand political authorities ask publicly for additional efforts, on the other hand however do not issue clear, legally based directives. In this Fremuth sees a danger to the principle of government by law. Fremuth said: "At this time the buck is passed only to the electric power industry, tomorrow it could be all industry."

The political discussions about the expansion plans of the Austrian power industry indicate some distrust between the energy industry and the public. It must however also be mentioned that the energy industry has also contributed its share to the poisoning of the confidence climate. Proponents of atomic power had simply set their goals too high during the discussions on the importance of the new languishing Zwentendorf nuclear power plant. They prophesied that lights would go out all over Austria if the plant would not go into operation.

Since this did not come to pass, partly because of the absence of severe winters during the past years and because of adequate water levels in the rivers, and partly because of the ailing economy which caused the electricity consumption curve to flatten out, electric power companies have to some extent lost some of their credibility.

Taking the credibility crisis into account, this year's passionate discussions about construction of the Hainburg Danube Power Station, located about 50 km downriver from Vienna, must be seen in this context. While the thermal Duernrohr Plant is considered a substitute for the "dead" nuclear plant as a result of the law which prohibits atomic power, the Hainburg Danube plant is part of a comprehensive Austrian energy policy for economic utilization of water power and for further reduction of the proportion of power plants which are fed with fossil fuels.

First, a kilowatt hour obtained from a river power plant is considerably less expensive. Second, river power plants considerably improve the supply of the base load area. Third, an improvement of air cleanliness is expected, since the development of water power permits the closing, or at least committing to a reserve status, of some of the polluting thermal plants, which in any case are already museum objects.

Development and operation of the river power plants covering the Austrian section of the Danube River is the responsibility of the Danube Power Plant AG (DOKW). The DOKW is planned as a special organization which is to 94 percent owned by the Republic of Austria. The federal share is administered as a trust by the umbrella organization. The Danube power stations contribute about 25 percent of the total Austrian power supply. Considering water power generation only, the share of the DOKW is almost 35 percent.

Up to the present time seven dams have been constructed by the DOKW, which together provide a gross generating capacity of about 10,000 gigawatt-hours annually. The first DOKW Danube plant, Ybbs-Persenbeug, started full operation in 1939. The Melk Dam, in immediate proximity of the famous Benedictine Abbey, started operation towards the end of 1982, being the youngest member of the family.

Under construction at this time is the Greifenstein plant, which will be operational in 1985. Three further plants are planned which will complete the Danube River development: Buchradorf (in the very lovely Wachau region), Vienna, and Hainburg. According to DOKW plans, work on the Hainburg dam will start in 1984. This plant would be by far the most powerful plant in Austria, with a normal capacity of 2100 gigawatthours.

This project is controversial, water rights have not yet been granted, and above all, some meadowlands which were designated as nature preserve, had to be partially sacrificed. The Hainburg plant--as also are six more of the other Danube plants under construction--is to be built in the dry construction mode. That means that the plant is built next to the old river bed, so to speak on a green meadow,--and in the case of Hainburg in a river plain. The river is then diverted into the new artificial bed, while the old bed is preserved as an old river branch.

Discussions about Hainburg reached a climax last summer, when the "Neue Kronen Zeitung," Austria's daily with the by far greatest circulation, sounded the alarm for the attack on the Hainburg plant (A slogan was: "Save the Danube--before it is too late"). Austria's political parties usually acknowledge the priority of the use of water power as a matter of principle, but were this time satisfied to tread warily by resorting instead only to strong language.

All of this caused the general manager of the umbrella organization, Fremuth, who at this time also acts as president of the Association of Energy Plants, to state another critical point. He declared in an interview with a well recognized professional journal, with some bitterness: "A mere 'yes' for water power development--as it is pronounced by the politicians--unfortunately does not generate a single kilowatthour!". Besides the energy-political necessities, power plant planners emphasize the importance of the Danube dams in connection with the much delayed completion of the Rhine-Main-Danube canal. Storage capacities are needed for the much cited European barge. Although the spokesmen for business and politics in Austria are unanimously in favor of the completion of the canal, importance of the canal from a traffic-economic standpoint might be somewhat overestimated. Thus the Austrian share of water transport in 1981 was barely 7 percent (1.4 billion net ton-km of the total transport of goods (21 billion net ton-km)).

Austria's relationship with the Rhine-Main-Danube canal was succinctly formulated by the traffic-economic specialist of the Austrian Institute for Economic Research, Dr Wilfried Poweln: It surely is correct when Austria speaks in favor of completion. The canal is for us without any doubt not a disadvantage. Also the construction doesn't cost us anything."

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CIPE DECISION ON ENERGY CONSERVATION INCENTIVES

Rome NOTIZIARIO DELL'ENEA in Italian Jul-Aug 83 pp 58-61

[CIPE decree of 8 June 1983 providing incentives for energy conservation]

[Text] In view of Law No 308 of 29 May 1982;

In view of the decision of 4 December 1981 ratifying the National Energy Plan;

In view of the need to issue directives to the regions providing incentives for limiting energy consumption and promoting the development of renewable sources of energy with the aim of achieving the objectives indicated in the National Energy Plan, as stipulated in Articles 7, 9 and 12;

In view of the need to allocate the appropriations specified in Articles 6 and 8 of Law No 308 to the regions;

Now, therefore, CIPE [Interministerial Committee for Economic Planning] resolves the following:

1. In accordance with the provision of the second paragraph of Article 6 of Law No 308 of 29 May 1982, the sum of 590 billion lire, designed to provide incentives for initiatives aimed at promoting the limitation of primary energy consumption and the utilization of energy sources as referred to in Article 1 of Law No 308 in industrial, small business, commercial, tourist, sports and agricultural environments; in the production of electric energy in nonelectrified rural dwellings and in the production of hot water for medical purposes or for use in sports facilities, is allocated to the regions in accordance with the following criteria:

Table 1. Allocation in Percentages by Regions of Incentives for Initiatives Aimed at Limiting Primary Energy Consumption and Promoting the Use of Renewable Sources.

<u>Region</u>	<u>A percentage</u>	<u>B percentage</u>	<u>C percentage</u>
Piedmont	6.0	9.2	8.651
Valle d'Aosta	--	0.2	0.434
Liguria	4.3	2.3	3.472

Lombardy	7.3	6.8	13.469
Trentino-Alto Adige	4.5	0.8	2.264
Friuli-Venezia Giulia	2.5	0.9	2.241
Veneto	1.5	3.4	7.569
Emilia-Romagna	7.5	2.4	7.830
Tuscany	12.8	6.9	7.121
Marches	0.6	1.2	2.246
Umbria	1.8	1.1	2.550
Latium	1.1	17.4	9.329
Molise	0.3	0.7	0.639
Abruzzi	0.6	2.3	2.287
Campania	2.5	12.8	6.670
Apulia	13.2	9.3	5.748
Basilicata	5.0	0.9	1.274
Calabria	8.3	4.6	3.329
Sicily	3.7	11.9	8.928
Sardinia	6.5	4.9	3.949
Totals	100.0	100.0	100.000

--30 billion lire for the use of photovoltaic equipment for the production of electric energy for nonelectrified rural buildings permanently inhabited by the tenant of the property in question, allocated to the regions in accordance with the percentages shown in Table 1/A.

--50 billion lire to install solar equipment for the production of hot water and heat pumps, allocated to the regions in accordance with the percentages shown in Table 1/B.

--510 billion lire for contributions in the form of capital funds for interventions as referred to in Article 6, allocated to the regions in accordance with Table 1/C.

Table 1/A. Permanently Inhabited Rural Buildings Deprived of Electric Service
(Cost of Hookup in Excess of 15 Million Lire)

<u>Region</u>	<u>Number of Cases</u>
Piedmont	120
Valle d'Aosta	--
Liguria	85
Lombardy	145
Trentino-Alto Adige	90
Friuli-Venezia Giulia	50
Veneto	30
Emilia-Romagna	150
Tuscany	255
Marches	13
Umbria	36
Latium	22
Molise	7

Abruzzi	13
Campania	50
Apulia	265
Basilicata	100
Calabria	165
Sicily	75
Sardinia	330
Total	2,001

2. With regard to the assigned allocations, if the regions are not included in the above distribution, the contributions will be made primarily in accordance with the objectives stipulated in the National Energy Plan, taking into account the climatic and socioeconomic conditions and industrial structure of the region itself.

It is recommended that the regions consider the following situations as of a priority nature:

a) in the building sector, initiatives aimed at promoting the limitation of energy consumption in buildings:

- 1) public,
- 2) sports,
- 3) residential.

Table 1/B

Region	Hot water (40° C) millions cm	Distrib. hot water heaters	Hot water from elect. hot water heaters millions cm	Percent. of total	Annual expos. to sun (annual regional average) hours/day
	a	b	c = a.b	d	e
Piedmont	67.2	49.2	33.1	10.2	5.7
Valle d'Aosta	1.6	45.8	0.7	0.2	6.3
Liguria	27.4	27.4	7.5	2.3	6.2
Lombardy	132.3	20.2	26.7	8.2	5.2
Trentino-Alto Adige	13.5	20.5	2.8	0.9	5.7
Friuli-Venezia Giulia	19.1	16.5	3.2	1.0	5.7
Veneto	67.0	18.2	12.2	3.8	5.7
Emilia-Romagna	61.1	14.6	8.9	2.7	5.7
Tuscany	45.9	49.3	22.6	7.0	6.2
Marches	18.1	22.7	4.1	1.3	5.7
Umbria	10.3	38.0	3.9	1.2	5.7
Lazio	64.4	82.4	53.1	16.4	6.7
Molise	4.3	51.5	2.2	0.7	6.2

Abruzzi	15.9	48.5	7.7	2.4	6.1
Campania	61.6	68.1	42.0	13.0	6.2
Apulia	44.3	63.9	28.3	8.8	6.7
Basilicata	7.0	41.2	2.9	0.9	6.2
Calabria	23.4	59.0	13.8	4.3	6.7
Sicily	56.6	59.3	33.6	10.4	7.2
Sardinia	18.1	76.1	13.8	4.3	7.2
Totals	759.1	43.0	323.1	100.0	-

Source: CRESM [expansion unknown], ENEL [National Electric Power Agency]

- b) in the industrial sector, initiatives aimed at promoting process changes,
- c) in the agriculture-forestry-food sector, initiatives aimed at promoting process changes through the correct use of renewable sources, whether in the production of energy or in the conservation of fossil fuels.

Sums not used by regions commensurate with their capabilities are transferred as a special item to the forecast of expenditures to be made by the Ministry of Industry, Commerce and Crafts [MICA] under the title: "National Fund for Conservation and Renewable Sources."

1. In determining the amount of the allocation to which it is entitled, the region should consider, for each type of initiative taken, the quantity of primary energy saved or of renewable source used per unit of capital invested, calculated in accordance with the parameters contained in the ministerial decree relating to the procedural applications of Law No 308 of 29 May 1982, rewarding innovations on the basis of the quantity of energy saved per unit of capital invested.

With regard to incentive participation, as defined in Article 6 of Law 308/82, the term "initiative" is to be interpreted as an individual innovation made in accordance with Table A appended to Law 308/82 and not to a whole series of initiatives which may be carried out in connection with a given structure.

In particular, the 20 percent energy saving, stipulated in Article 6, should be interpreted as referring to a contribution made in the consumption of the structural element involved in that initiative before the initiative itself was taken.

With regard to incentive initiatives as described in Point 3, Article 6 of Law 308/82, in order for heat pumps to be eligible for the incentive plan, they must have a coefficient (of performance) equal to or greater than 2.65.

In the case of initiatives taken by cooperatives and/or other combined or condominium groups, a limit of 10 million lire should be understood as the maximum allocation for each individual initiative or for each member of the

group, taking into consideration the overall energy saved and the validity of the initiatives properly coordinated among the members.

4. Every allocation is to be made upon the presentation of a request accompanied by a signed technical-economic report giving the information required to establish the admissibility of the allocation and in such form as to permit a comparison by type and quantity of the primary source of energy saved per unit of capital invested, specific instructions for regular maintenance and the correct operation of any equipment involved, as well as a declaration that no similar requests were made for incentives provided by other laws chargeable to the state budget.

Table 1/6.

Region	Area	Inhab.	No of	Energy cons.		Av ant-winter su exp.	ΔQ_i	$\Delta Q_i \cdot F_i$
	perc a	perc b	perc c	elec perc d	fuels perc e		perc g	perc h
Piedmont	8.43	7.92	5.49	8.33	11.38	4.20	9.0100	37.8429
Valle								
d'Aosta	1.08	9.20	9.39	9.30	0.38	4.20	6.4320	1.6984
Liguria	1.80	3.20	4.14	3.37	3.65	4.70	3.2320	15.1904
Lombardy	7.91	15.72	14.98	16.97	29.81	3.45	17.6780	58.9191
Trentina-								
Alto Ad.	4.52	1.34	1.71	2.03	1.99	4.20	2.3580	9.9036
Veneto	6.10	7.68	8.37	7.65	12.10	3.95	8.3820	33.1089
Friuli-								
Venez G	2.01	2.18	2.51	2.54	2.37	3.95	2.4820	9.8939
Emilia-								
Romagna	7.34	7.00	8.03	7.39	13.60	3.95	8.6720	34.2544
Tuscany	7.63	6.35	7.09	7.29	6.64	4.45	7.0000	31.1500
Marches	3.22	2.50	2.86	2.14	2.56	3.70	2.6560	9.8272
Umbria	2.81	1.43	1.58	1.25	1.09	4.20	1.6320	11.1532
Lazio	5.71	8.84	8.69	11.89	6.09	4.95	8.2440	40.8078
Abruzzi	3.58	2.15	2.43	1.71	1.37	4.45	2.2480	10.0036
Molise	1.47	0.54	0.61	0.36	0.12	4.45	0.6280	2.7946
Campania	4.51	9.66	6.91	8.00	1.96	4.70	6.2080	29.1776
Apulia	6.42	6.84	5.85	5.71	1.93	4.70	5.3500	25.1450
Basilicata	3.32	1.08	0.88	0.62	0.36	4.45	1.2520	5.5714
Calabria	5.91	3.64	3.29	2.43	0.34	4.95	2.9420	14.5629
Sicily	8.33	8.67	8.51	7.47	1.08	5.70	6.8520	39.0564
Sardinia	8.90	2.82	2.77	2.49	0.53	5.20	3.3220	17.2744
Totals	100.00	100.00	100.00	100.00	100.00	100.00	100.0000	437/4468

c = abbreviate

5. Upon prior technical and formal investigation, the region, having agreed to reach a decision within 3 months from a date it has established for the presentation of a given request, allocates the funds in two installments, the first being the first phase of the progress of the work or payment made in compensation for expenditures already made, and the second after completion of the work in accordance with the project presented.

6. The sum of 300 billion lire, in accordance with the last paragraph of Article 9 of Law 308/82, for initiatives aimed at limiting the consumption of primary energy in the agricultural and industrial sector, with the granting of allocations for interests on loans or allocations in a capital account having the objective of financing innovations aimed at promoting the reduction of consumption through the realization of fixed plants, systems or components, and distributed among the regions in accordance with the percentages shown in Table 2.

Table 2.

<u>Region</u>	<u>Percentage</u>
Piedmont	9.735
Valle d'Aosta	0.964
Liguria	2.973
Lombardy	18.528
Trentino-Alto Adige	2.128
Friuli-Venezia Giulia	2.935
Veneto	9.274
Emilia-Romagna	10.148
Tuscany	6.821
Marches	2.329
Umbria	2.299
Lazio	3.526
Molise	0.869
Abruzzi	1.887
Campania	4.305
Apulia	8.743
Basilicata	1.242
Calabria	1.645
Sicily	5.485
Sardinia	4.164
Total	100.

Allocations may include initiatives which, through the use of appropriate facilities, result in a saving of not less than 15 percent of the initial consumption of hydrocarbons and electric energy, whether for industrial use or processing, priority being given to investments aimed at promoting process changes, particularly in connection with small and medium-sized industry and handicraft work.

For purposes of evaluating the saving in hydrocarbons and electric energy, 1 kg of hydrocarbons is considered equivalent to 4kWh of electric energy.

7. In the examination of requests for allocations in a capital account, the regions are to adopt the procedures stipulated in Points 4 and 5 of this decree. Requests for allocations in an interest account (Article 8, Law 308/82) as a reward for industrial initiatives are to be presented to medium-term credit institutions as well as to other institutions authorized within the appropriate limits; and agricultural initiatives to institutions qualified to grant credit for agricultural improvement.

Requests for allocations in an interest account are to be presented to a credit institution accompanied by a technical-economic report signed by a technician enrolled in a professional order or college capable of handling the typology of the project to assure the compatibility of the initiative with the planned objective and with the requirements of Article 8 of Law 308/82.

Directly or through their finance companies, regional administrations are to regulate their relations with the credit institutions, as referred to in the preceding paragraph, with appropriate financial arrangements which are then to be submitted to the Ministry of Industry, Commerce and Craftsmanship.

Regions are responsible for making the requests uniform in accordance with Law 308/82 as it pertains to their jurisdiction.

8. The regions are responsible for carrying out overall technical investigations aimed at verifying the compatibility of the project with the regional objectives.

In deciding to grant an allocation as referred to in Point 7, the chairman of the regional council is to take into consideration the results of this investigation.

9. Upon completion of the investigation, the region can use the services of state technical organizations in accordance with Law 107, Regional Executive Order of 24 July 1977 No 616 and of the organizations referred to in Article 15 of Law 308/82, based on appropriate agreements and within the scope of the respective jurisdictions, as well as through the establishment of joint committees.

10. By February of each year, the regions are to send to MICA a detailed report on the allocations made during the preceding year based on Law 308/82 and taking into consideration eventual regional legislation in the sector involved.

Expressed in kilocycles, the report must indicate the amount of energy saved and, in TEP [tons of oil equivalent], the amount of energy produced by renewable sources, specifying the nature of those sources and the sector in question.

The same report must include the regional objectives pertaining to the limitation of consumption, with particular reference to hydrocarbons and electric energy, and the development of renewable sources foreseen by the

region for the year in question, suggesting initiatives which, considering the regional realities, will permit the attainment of those objectives.

11. Similar reports must be presented to MICA by February of each year by ENEA [National Committee for Research and Development of Nuclear and Alternate Energy], ENEL, ENI, CNR [National Research Council], IRI [Industrial Reconstruction Institute] and EFIM [Manufacturing Industry Holding and Financial Company] for the purpose of illustrating the results achieved the preceding year and giving the programs planned for the current year, with an indication of the commitments for expenditures in the energy conservation sector and of the development of renewable energy sources.

12. By February of each year, the individual state administrations will inform MICA, each within its own jurisdiction, of the initiatives taken in its geographical area, with emphasis on renewable energy sources as referred to in Article 1 of Law 308/82.

13. In presenting to Parliament a report on the implementation of Law 308/82 by April of each year and referring to the preceding year, MICA will take those indications into consideration and, by June, will propose to CIPE a program which, with reference to regional objectives, will outline the national objectives to be achieved during the current year.

Issued by: The Honorable Guido Bodrato, minister of budget and economic planning and vice president of CIPE

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